

State of Alaska FY2003 Governor's Operating Budget

Department of Community & Economic Development

Contents

Department Mission	5
Department Goals and Strategies	5
Key Department Issues for FY2002 – 2003	6
Major Department Accomplishments in 2001	8
Governor's Key Department-wide Performance Measures for FY2003	10
Department Budget Summary by BRU	16
Funding Source Summary	18
Position Summary	18
FY2003 Capital Budget Request	19
Overview of Departmental Budget Changes	20
Summary of Department Budget Changes by BRU	23
Executive Administration Budget Request Unit	24
Key Performance Measures for FY2003	24
BRU Financial Summary by Component	28
Summary of BRU Budget Changes by Component	29
<i>Component: Commissioner's Office</i>	30
Component Financial Summary	34
Summary of Component Budget Changes	35
Personal Services Information	36
<i>Component: Administrative Services</i>	37
Component Financial Summary	40
Summary of Component Budget Changes	41
Personal Services Information	42
Community Assistance & Economic Development Budget Request Unit	43
Key Performance Measures for FY2003	43
BRU Financial Summary by Component	51
Summary of BRU Budget Changes by Component	52
<i>Component: Community and Business Development</i>	53
Component Financial Summary	62
Summary of Component Budget Changes	64
Personal Services Information	66
<i>Component: International Trade and Market Development</i>	67
Component Financial Summary	72
Summary of Component Budget Changes	73
Personal Services Information	74
State Revenue Sharing Budget Request Unit	75
BRU Financial Summary by Component	76
Summary of BRU Budget Changes by Component	77
<i>Component: State Revenue Sharing</i>	78
Component Financial Summary	79
Summary of Component Budget Changes	80
<i>Component: National Program Receipts</i>	81
Component Financial Summary	82
Summary of Component Budget Changes	83
<i>Component: Fisheries Business Tax</i>	84
Component Financial Summary	85
Summary of Component Budget Changes	86
BRU/Component: Safe Communities Program	87
Component Financial Summary	88
Summary of Component Budget Changes	89

BRU/Component: Qualified Trade Association Contract	90
Key Performance Measures for FY2003	91
Component Financial Summary	98
Summary of Component Budget Changes	99
BRU/Component: Investments	100
Key Performance Measures for FY2003	102
Component Financial Summary	106
Summary of Component Budget Changes	108
Personal Services Information	109
Alaska Aerospace Development Corporation Budget Request Unit	110
Key Performance Measures for FY2003	111
BRU Financial Summary by Component	113
Summary of BRU Budget Changes by Component	114
<i>Component: Alaska Aerospace Development Corporation</i>	115
Component Financial Summary	117
Summary of Component Budget Changes	118
Personal Services Information	119
<i>Component: Alaska Aerospace Development Corporation Facilities Maintenance</i>	120
Component Financial Summary	121
Summary of Component Budget Changes	122
Personal Services Information	123
Alaska Industrial Development and Export Authority Budget Request Unit	124
Key Performance Measures for FY2003	125
BRU Financial Summary by Component	128
Summary of BRU Budget Changes by Component	129
<i>Component: Alaska Industrial Development and Export Authority</i>	130
Component Financial Summary	132
Summary of Component Budget Changes	133
Personal Services Information	134
<i>Component: Alaska Industrial Development Corporation Facilities Maintenance</i>	135
Component Financial Summary	136
Summary of Component Budget Changes	137
<i>Component: Alaska Energy Authority Statewide Operations and Maintenance</i>	138
Component Financial Summary	139
Summary of Component Budget Changes	140
Rural Energy Programs Budget Request Unit	141
BRU Financial Summary by Component	142
Summary of BRU Budget Changes by Component	143
<i>Component: Energy Operations</i>	144
Component Financial Summary	145
Summary of Component Budget Changes	146
<i>Component: Circuit Rider</i>	147
Component Financial Summary	148
Summary of Component Budget Changes	149
<i>Component: Power Cost Equalization</i>	150
Component Financial Summary	151
Summary of Component Budget Changes	152
Alaska Energy Authority Budget Request Unit	153
Key Performance Measures for FY2003	154
BRU Financial Summary by Component	159
Summary of BRU Budget Changes by Component	160
<i>Component: Alaska Energy Authority Operations and Maintenance</i>	161
Component Financial Summary	162

Summary of Component Budget Changes.....	163
<i>Component: Alaska Energy Authority Rural Energy Operations.....</i>	<i>164</i>
Component Financial Summary.....	166
Summary of Component Budget Changes.....	167
<i>Component: Alaska Energy Authority Circuit Rider.....</i>	<i>168</i>
Component Financial Summary.....	169
Summary of Component Budget Changes.....	170
<i>Component: Alaska Energy Authority Power Cost Equalization.....</i>	<i>171</i>
Component Financial Summary.....	173
Summary of Component Budget Changes.....	174
BRU/Component: Alaska Science and Technology Foundation.....	175
Key Performance Measures for FY2003.....	180
Component Financial Summary.....	183
Summary of Component Budget Changes.....	184
Personal Services Information.....	185
BRU/Component: Alaska Seafood Marketing Institute.....	186
Key Performance Measures for FY2003.....	188
Component Financial Summary.....	191
Summary of Component Budget Changes.....	192
Personal Services Information.....	193
BRU/Component: Banking, Securities and Corporations.....	194
Key Performance Measures for FY2003.....	197
Component Financial Summary.....	200
Summary of Component Budget Changes.....	201
Personal Services Information.....	203
BRU/Component: Insurance Operations.....	204
Key Performance Measures for FY2003.....	207
Component Financial Summary.....	209
Summary of Component Budget Changes.....	210
Personal Services Information.....	212
BRU/Component: Occupational Licensing.....	213
Key Performance Measures for FY2003.....	216
Component Financial Summary.....	221
Summary of Component Budget Changes.....	223
Personal Services Information.....	224
BRU/Component: Regulatory Commission of Alaska.....	225
Key Performance Measures for FY2003.....	227
Component Financial Summary.....	230
Summary of Component Budget Changes.....	231
Personal Services Information.....	232
BRU/Component: DCED State Facilities Rent.....	233
Component Financial Summary.....	234
Summary of Component Budget Changes.....	235

Commissioner: Deborah Sedwick

Tel: (907) 269-8100 **Fax:** (907) 269-8127 **E-mail:** debby_sedwick@dced.state.ak.us

Administrative Services Director: Tom Lawson

Tel: (907) 465-2506 **Fax:** (907) 465-2563 **E-mail:** tom_lawson@dced.state.ak.us

Department Mission

The mission of the Department of Community and Economic Development (DCED) is to promote independent communities and economic development in Alaska.

Department Goals and Strategies

STRENGTHEN RURAL COMMUNITIES

- Increase the capacity of local government to effectively provide essential public services by providing communities training and onsite technical assistance.
- Enhance the availability and quality of basic local government services by providing financial assistance that supplements local revenue generation (State Revenue Sharing, Safe Communities, shared State Fisheries Business Tax, shared Federal National Forest Receipts, Federal Payment-in-Lieu-of-Taxes).
- Promote local economic development by providing technical and financial support for community infrastructure critical to economic development and small business startup.
- Provide assistance, through coordinated response partnerships, to communities experiencing sudden economic dislocation as a result of major economic disruptions.
- Improve the safety and cost effectiveness of energy sources for power generation and heating in rural Alaska by constructing and repairing bulk fuel storage facilities.
- Protect the State's investments in rural electric power systems through training of the local operators and administrators, and by providing technical and financial assistance to prevent disasters.

WORK WITH RURAL COMMUNITIES AND THE PRIVATE SECTOR IN CREATING NEW JOBS FOR ALASKANS.

- Ensure that residents of small rural communities in western Alaska get the maximum benefits from their participation in the Community Development Quota (CDQ) program, a fisheries development initiative.
- Partner with other state agencies, private businesses, ANCSA corporations, tribes, and local governments to identify and develop opportunities for rural, regional and local economic development.
- Facilitate the exchange of information between Alaska exporters and potential customers through business intelligence services and trade practice assistance.
- Identify and assist in planning and developing new tourism opportunities to expand Alaska's tourist season and increase visits to rural Alaska.
- Encourage new international and domestic air carriers to use Alaska as a passenger and freight delivery point.
- Increase independent visitors on Alaska's highways and roads.
- Work with the Governor's Jobs Cabinet in seeking solutions and strategies for improving the economic climate in rural Alaska.

MARKETING ALASKA-SELL ALASKA'S GOODS AND SERVICES THROUGHOUT THE WORLD.

- In partnership with a private industry association, raise national and international awareness of Alaska as a tourist destination, and increase the consumption of Alaska seafood products through generic and targeted marketing.
- Organize and conduct business trade missions to expand product sales in current markets and develop new markets.
- Participate in special promotions and presentations, trade shows and seminars to raise the visibility of Alaska as a good place to do business.
- Continue the Governor's Business Opportunities Program under which the Governor, Commissioner and other Alaskans visit corporate boardrooms to solicit investment in Alaska.
- Make information on Alaska's economy, goods and services, investment opportunities, and departmental databases available on the Internet.
- Expand the public's ability to obtain department services through the Internet.

MAINTAIN A FAIR AND CONSISTENT BUSINESS REGULATORY ENVIRONMENT IN THE STATE.

- Expedite the conversion of Alaska's telecommunications industry from a monopoly-based to a competitive, market-based industry structure, while guaranteeing universal access to service.

- Assist businesses and consumers by placing the database of licensed professionals, corporations, and insurance carriers on the Internet, including information about disciplinary actions.
- Create simple, self-explanatory securities, corporations, insurance, and occupational licensing applications and forms available on the Internet to improve service to the public and reduce requests for staff assistance.

Key Department Issues for FY2002 – 2003

GENERAL

- Alaska's economy may be negatively impacted by events surrounding the terrorist attacks of September 11, 2001. In October 2001, Governor Knowles appointed a task force, co-chaired by the commissioner of DCED, to examine the impact of terrorism on Alaska's economy and make a report in 60 days. Concerns have been expressed by businesses in several key industries, such as tourism, oil and gas, and air cargo, about what recent events mean to Alaska's economy. The group will also make recommendations on legislation or administrative actions that can be taken to mitigate the impacts on businesses and Alaska's workforce.
- The Department is increasingly encountering the recruitment/retention difficulties faced by all state agencies. Recruitment for positions requiring specialized technical expertise is becoming more and more difficult due to lack of qualified in-state candidates coupled with non-competitive salaries within those fields. State employee salaries and benefits generally are no longer as competitive as is necessary to attract quality candidates for many state positions. A contributing factor is the out-dated state classification system. Many job class specifications are 20 or more years old with restrictive minimum qualifications and do not produce sufficient applicant pools. A further contributing factor is the "graying" of the workforce, a nationwide phenomenon where the "baby boomer" generation of workers is reaching retirement age. Younger replacement workers are not only far fewer in numbers, they do not share the prior generations' notion of staying with the same employer for years. Even if quality replacement workers are found, the state currently does not have the tools/ability to provide retention incentives.

COMMUNITY AND BUSINESS DEVELOPMENT

- Many cities in Alaska are struggling to maintain basic services. This is especially true for some of the smaller municipalities that may have only several hundred residents and a very limited tax base. This situation threatens the state's investment in essential community facilities and poses a threat to the health and well being of Alaska's residents.
- While offering promise, tourism development in rural Alaska faces significant problems and will require development assistance. Rural communities lack the staff and resources necessary to prepare for and attract tourism development in their communities. They are requesting information about the effects of tourism development, both positive and negative, that would allow community residents to make informed choices about development.
- Currently, information about Alaska's economy, labor force and industrial sectors is widely scattered among various agencies and organizations. The Alaska Economic Information System (AEIS) has been developed and is designed to provide user-friendly access to all this information at a one-stop portal on the Web. The initial AEIS development was funded with a one time grant but additional funds are necessary to keep the system current.
- As a result of an increasing work load, the State Assessor is not able to review the property assessment practices used by municipalities on a timely basis. The State Assessor's review of local assessment practices is critical to assuring the integrity of the Full and True Value Determination (FTVD) that is made for property in each municipality. The State Assessor's Full and True Value Determination serves as the State's independent assessment of the full and true value of all taxable property within a given locality. Because of continuing fiscal pressures, many municipalities feel a need to maximize their efforts to obtain state financial assistance. One of the results of these local fiscal pressures has been an increase in localities "pushing the envelope" of acceptable assessment practices. Additional staff is needed to provide support to the State Assessor, which will enable thorough and timely review of local assessment practices and property value determinations. This in turn will insure that all municipal school districts receive the amount of funding to which they are entitled.

INTERNATIONAL TRADE AND MARKET DEVELOPMENT

- Having established trade representation early on in markets like Japan, Korea, Taiwan and Sakhalin, Alaska exports to those markets have grown substantially. Alaska's worldwide exports were \$2.5 billion in 2000. In addition to maintaining a strong trade presence in these traditional markets, the state should now take steps to establish trade representation in China, an emerging market with significant potential for Alaska's goods and services.
- In order to expand and diversify the economy, Alaska must attract new industry and investment to the state. Doing so will help expand employment opportunities for Alaskans and diversify the tax base. Business and investment recruitment is a highly competitive endeavor. Cities, counties and states across America compete to attract business to their communities. In reality, the competition is global. American communities often find themselves competing with overseas locales for new business and investment. If Alaska is to succeed in attracting its fair share,

sufficient resources will need to be deployed to enable an effective, pro-active recruitment program.

QUALIFIED TRADE ASSOCIATION CONTRACT

- Beginning in FY 03, state law requires the qualified trade association contractor to increase its contribution to the marketing program from 30 to 60 percent. Unless additional funds are generated from private sector companies, the state's match will be reduced.
- Alaska's public funding for tourism marketing has declined from over \$10 million in FY92 to \$4.6 million in FY02. While other states have increased their funding by 25 percent in the past five years, Alaska has slipped from 7th to 29th place in the total amount spent on tourism programs, and now ranks 36th in the amount of public sector funds allocated to tourism. This decline in state funding requires industry to find ways to more effectively utilize its marketing money.

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

- Begin sustained production of Alaska's first seafood manufacturing facility, Alaska Seafood International in Anchorage.
- Resolve issues surrounding future usage of the Healy Clean Coal Project.

ALASKA ENERGY AUTHORITY

- Increased funding from the Denali Commission offers a rare opportunity to upgrade both fuel storage facilities and electric utility systems in rural Alaska on a broad scale. A key issue for AEA is to provide sufficient management resources and accelerate the pace of project development so that rural communities can realize as much benefit as possible from this opportunity.
- The need to reduce energy costs in rural Alaska has become more urgent due to the sharp increase in fuel prices that has occurred during the past year. Strategies to reduce these costs through energy production efficiencies, energy production alternatives, and energy conservation need to be clearly identified, developed, and aggressively implemented.

POWER COST EQUALIZATION

- The FY02 amount available from the PCE endowment appropriation is based on 7% of the market value of the fund on February 1, 2001 or \$7,062,156.58. This amount was inadvertently not appropriated to the PCE Rural Electric Capitalization fund for use in FY02. Corrective action will be requested in the FY02 supplemental.
- The endowment is expected to generate approximately \$12 million for PCE in future years beginning in FY03 after the proceeds from Four Dam Pool divestiture are deposited. Based on the \$15.7 million appropriation level for FY02, the program has been prorated to 92% for community participants. In addition to the PCE endowment earnings, \$2.14 million in other funds must be appropriated to the PCE fund to maintain the PCE program at the \$15.7 million funding level in FY03.
- Because of increased fuel costs, the PCE program is expected to cost \$16.96 million in FY03 to operate the program at the statutorily established level.

ALASKA SCIENCE AND TECHNOLOGY FOUNDATION

- The ASTF endowment (\$101 million principal) is co-invested with the Permanent Fund and generates earnings. The earnings have been used for legislative appropriations, large grants, ASTF operations (primarily staff), partner organizations (economic development infrastructure), and technology, knowledge, and teacher grants. Annual earnings have declined from \$14 million in FY98 to \$5.2 million in FY2001. Earnings have declined primarily due to weaker stock market performance and a smaller earnings base. Over the last five years, ASTF's earnings base has eroded due to cumulative appropriations of \$13.1 million for the University of Alaska (UA) and \$2.7 million for Alaska Aerospace Development Corporation (AADC). For the past 2 years, ASTF has been limited in its ability to fund new grant proposals. At a time when Alaska's economy is growing more slowly than the national economy, and our faster growing technology sector is still relatively small compared to other states, this lessened ability of ASTF to provide seed capital and finance group projects with industry merits concern. The ASTF Board believes the long-term solution is to replace ASTF funding for the annual UA and AADC appropriations beginning in FY03. In addition, the UA and AADC appropriations of ASTF funding may be reduced through the FY02 supplemental.

ALASKA SEAFOOD MARKETING INSTITUTE

- The seafood industry, Alaska's largest private sector employer, is suffering from severely depressed salmon marketing prices. These depressed market prices are, in large part, being driven by a flood of farmed salmon. As a result, average ex-vessel prices for Alaskan wild salmon are low. Revenue generated by the 1% Salmon Marketing Tax is expected to decline from FY02 levels by at least \$700.0. This reduction will have a significant negative impact

on ASMI's marketing efforts. Increased marketing will be needed to help offset depressed market conditions. To have an effect on the upcoming summer season, this will need to be addressed prior to FY03.

- The Alaska salmon industry faces many serious challenges in the years ahead due to the increasing worldwide production of low priced, high-quality farmed salmon and the imminent mass production of farmed halibut. ASMI must identify appropriate research and implementation strategies to encourage the improvement in quality and value of Alaska salmon and increase our marketing presence in the US and foreign markets.

INSURANCE OPERATIONS

- Last session, legislation was passed to bring the Alaska insurance regulatory scheme into compliance with the requirements of the federal Gramm-Leach-Bliley Act (GLBA). As part of this legislation, the Division was authorized to adopt regulations defining the amount of personal health and financial information that insurance companies may share with affiliates and other third parties. The Division will be faced with balancing the privacy rights of individual insurance customers against the companies' interests in ease of commercial transactions, and adopting regulations defining when the sharing of personal information is appropriate.

OCCUPATIONAL LICENSING

- An Attorney General's opinion stating that division files related to investigations of occupational license holders may be public documents has resulted in lengthy reviews of voluminous investigative files. Witnesses' rights to privacy and public rights to government records must be weighed for each document in a file. The division expects the number of public record requests to increase as employers and parties to lawsuits become aware that investigative information is available. The division is having difficulty responding to the public record workload and other division activities are adversely affected.

Major Department Accomplishments in 2001

COMMISSIONER'S OFFICE

- Participated in the Governor' Rural Construction Working Group which resulted in a precedent setting agreement between unions, contractors, the state, and non-profit natives corporations regarding capital project construction in rural Alaska. Related activities designed and implemented by DCED to assist rural residents to better position themselves for the multi-million dollar public construction projects scheduled for the next three years include: 1) development of Job Summits, to increase local/regional employment; 2) Community Resumes, which increased the utilization of community assets on construction jobs, and 3) development of a public construction database for all projected work scheduled for the next three years.
- Formalized a process to respond to economic disasters in Alaska by utilizing a coordinated response partnership and making resources accessible to affected regions and communities.

ADMINISTRATIVE SERVICES

- Developed, improved and implemented a variety of data search and retrieval systems that provide access to public information over the Internet. These include the Business License Database, Occupational License Database, Insurance Producers Database, Corporations and Trademark Databases as well as others.
- Developed, with Division of Community and Business Development, the Alaska Photo Library Web site which provides high quality, royalty free images of Alaska for promotional and educational uses.
- Worked with Division of Occupational Licensing to (1) make Big Game Guide Use Area maps available online; maps can be viewed and printed from the internet, or downloaded by print shops for printing on large format printers; and (2) develop an online license renewal system for the Architects, Engineers and Land Surveyors.

COMMUNITY AND BUSINESS DEVELOPMENT

- Conducted with DF&G the first ever multi-species allocation Community Development Quota (CDQ) process during the fall of 2000. All quota including groundfish, halibut and crab species were allocated during the two-year Community Development Plan (CDP) cycle of 2001-2002.
- Helped secure funding for a value-added salmon marketing grant. These funds were provided through a special congressional appropriation that will provide grants for direct marketing by fishermen and processors who have a market-accepted value-added salmon product.
- Researched and prepared economic sector profiles for the Alaska Economic Information System (AEIS). The profiles are a compilation and analysis of data and information that identify resource and development opportunities and issues in the state's 27 census areas.
- Worked with other agencies to secure federal funds for geologic mapping, airborne geophysical surveys, and

baseline water quality surveys. This information is essential to attracting exploration activity.

- Coordinated efforts with agencies and rural groups to produce standardized community profile maps for the public. Partnerships have been underway this year with the Interior Rivers Resource Conservation and Development Council, the Northwest Arctic Borough and the state's Village Safe Water Program.

INTERNATIONAL TRADE AND MARKET DEVELOPMENT

- Organized Governor's Mission to China with stops in Hong Kong, Shanghai and Beijing. Results: Alaska company entered into a joint venture with the Chinese pipeline and oil company, SINOPEC; and seafood sales nearly doubled in latter half of 2000. Mission afforded opportunity to thank existing customers and introduce Alaska's resource and service exports to potential buyers.
- Organized Governor's Mission to Japan with approximately two dozen high-level private sector participants. Raised profile while initiating and renewing business ties with Alaska's major trading partner.
- Continued introduction of fresh Alaska seafood to Korean hotel restaurants and other high-end customers - to the benefit of seafood and air cargo industries. Missions and promotions resulted in nearly \$1,000,000 in direct sales by Alaska seafood companies to five major hotels in Korea. Business meeting with Korean Air resulted in airline's decision to promote travel to Alaska by "Destination Alaska" in-flight video and cover article for carrier's in-flight magazine.
- Promoted Alaska oil spill preparedness and response companies/agencies to Taiwan Coast Guard, Taiwan EPA, Chinese Petroleum Corp., Taiwan Legislative Yuan. Result: an Alaska environmental services company is currently in negotiations with Taiwan EPA for an oil spill response training contract.
- Following the demise of Reeve Aleutian Airways, sponsored Alaska-RFE Aviation Roundtable, bringing stakeholders together to rebuild RFE routes, which in turn led Evergreen International Airlines to announce intent to start Sakhalin service in 2002; Mavial expanded its Anchorage-Magadan route to include Kamchatka; and Alaska-Chukotka flights picked up.

QUALIFIED TRADE ASSOCIATION CONTRACT

- National cable television returned to the marketing program after Alaska was "off the air" for 1 full year. Total buy in FY02: \$1.2 million.
- Increased and expanded the selection of marketing services to businesses. New programs included: advertising on specialty websites featuring adventure/ecotourism; sportfishing and cultural tourism; online travel specials on website to allow businesses to promote short-term special offers to consumers; electronic newsletter which allows follow-up marketing to consumers.

INVESTMENTS

- Supported the Volunteer Tax and Loan Program (VTLP) through a contract for fisheries business development to the Alaska Business Development Center, Inc. (ABDC). Seventeen trips were made during FY01 to assist 33 communities in five Alaskan regions (Interior, Western, Southeast, Bristol Bay and Kodiak). Teams comprised of advanced accounting students, IRS tax supervisors and ABDC consultants traveled to each community to provide tax preparation and loan package assistance as well as business and financial counseling. Overall, ABDC's VTLP assisted 2,938 individuals and prepared 1,388 returns. The Division received national recognition in August of 2001 when the VTLP was selected by the National Association of Development Organizations (NADO) to receive a 2001 Innovation award.

ALASKA AEROSPACE DEVELOPMENT CORPORATION

- Successfully launched Air Force Quick Reaction Launch Vehicle (QRLV-1) in March 2001.
- Successfully launched KODIAK STAR for Lockheed Martin Corporation in September 2001.
- Supported Army Strategic Target Systems (STARS) effort for November 2001 launch.
- Awarded contract for Launch Support Services to local Alaskan Company.

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

- Purchased approximately \$9.9 million in loan participations originated through financial institutions for businesses and projects in Alaska, helping to expand Alaska's economic base and create jobs in Alaska. As of June 30, 2001, had approved loan participation purchase commitments for an additional \$18 million.
- Issued \$16.1 million in conduit financing for private sector and non-profit projects.
- Helped the Alaska Seafood International manufacturing facility (ASI) owners negotiate an organizational restructuring to provide operating capital and a new owner-operator. ASI is restarting operations and is processing orders. In full production, ASI will provide 450 year-round manufacturing jobs, result in hundreds of indirect jobs, and stimulate the local economies of fishing communities by providing a reliable market for their product.
- Oversight of the Healy Clean Coal Project (HCCP) was transferred to Golden Valley Electric Association (GVEA)

under a settlement agreement during the prior year. The settlement agreement ended two years of litigation between AIDEA and GVEA. During this post-settlement period, AIDEA and GVEA are exploring financing alternatives to complete a retrofit of the Project, to allow the resumption of power generation.

ALASKA ENERGY AUTHORITY RURAL ENERGY OPERATIONS

- Completed bulk fuel storage consolidations and upgrades in 5 communities totaling \$13.3 million. An additional 5 bulk fuel consolidations, totaling \$14 million, will be completed in calendar year 2001.
- Started preliminary design work on 21 additional bulk fuel storage projects.
- Completed rural power system upgrades in 5 communities totaling \$4.1 million. Started preliminary design of rural power system upgrades in 6 villages with total estimated construction costs of \$9.9 million.

ALASKA SCIENCE AND TECHNOLOGY FOUNDATION

- ASTF grantee Alaska Manufacturing Contractors (AMC) has completed building 40 manufactured homes at its facility at Point McKenzie from its patented design. These homes can be leveled using only 3 points, have improved heating and cooling, and demonstrate a superior arctic design. The project employs 50 workers, many from villages that will receive the housing (Mountain Village, Unalakleet, Emmonak, Nome, St. Michaels, and Shaktoolik). AMC production has replaced an out-of-state manufacturer. Afognak Native Corporation purchased 51% of AMC.
- Anchorage Muni's Geotechnical Committee has draft microzone maps prepared by a UAF seismologist for local soil conditions from tremor data from 25 sensors around the Anchorage Bowl. The committee will now consider changes to building codes to increase safety and prevent over or under design of new structures. A major USGS grant was received that will allow continued and expanded operation of the sensors.
- Alaska Growth Capital (AGC) BIDCO capitalization reports it has made loans or equity investments to 25 organizations that have created or retained 366 jobs. Originally capitalized by ASTF and Arctic Slope Regional Corporation at \$6 million, AGC now has over \$11 million to do pre-bankable deals. Key projects include initial financing of Wrangell Seafood plant, Adak Seafood, and smaller technology companies. ASTF and AGC co-financed a new product line for the Omega Sea plant in Sitka and equipment for a garnet mine in the Interior.

ALASKA SEAFOOD MARKETING INSTITUTE

- Alaska Seafood was ranked #3 of the top ten brands in the top 500 restaurant chains in the United States. Building the Alaska Seafood brand is the best way to raise the products from a commodity status to a recognized brand similar to Idaho Potatoes and Washington Apples.
- A Salmon Index was established for the U.S. market. This is a monitoring index composed of several measurements that are weighed together to create a composite number. Such measurements include attitude and awareness, media exposure, positive associations with Alaskan Salmon, price/value relationships, awareness of industry issues, and farmed salmon issues. Having established a quantifiable baseline in Year 1, ASMI will measure change over the subsequent years.

OCCUPATIONAL LICENSING

- Issued or renewed 5,000 business licenses through the Internet.
- Developed online program for renewal of architect, engineer and land surveyor licenses.

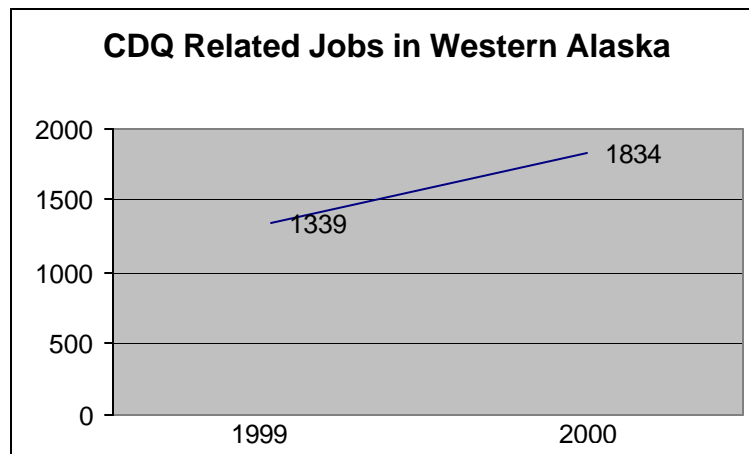
Governor's Key Department-wide Performance Measures for FY2003

Measure:

The change in the number of CDQ-related (community development quota related) jobs in Western Alaska.
Sec 24(b)(3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

There were 1834 CDQ related jobs created in 2000, an increase from 1339 in 1999. The employment include positions on offshore factory trawlers, onshore processing plants, CDQ halibut and salmon plants, local halibut fisheries, and various management and administrative jobs within the six CDQ groups.



FY03 target: The division expects the number of seafood industry jobs in the CDQ program to increase again in FY03 primarily due to increasing CDQ ownership in groundfishing vessels. In addition, better recruitment and placement of employees by the CDQ groups in the processing and harvesting sectors and in administrative and management positions within the groups themselves, have made more employment opportunities available for residents in western Alaska.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

The data for this Measure was taken from the 2000 CDQ Quarterly Reports.

Measure:

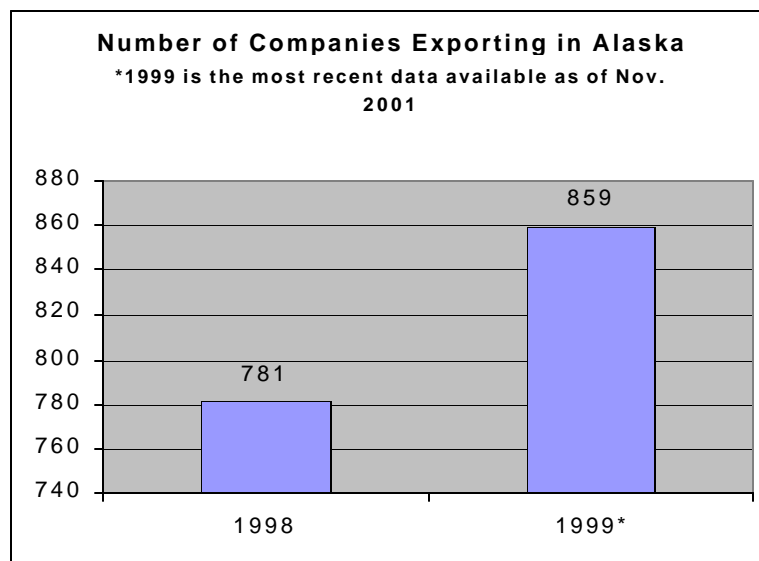
The increase in the number of Alaska firms that export products and services.

Sec 25(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

According to the U.S. Department of Commerce ("A Profile of U.S. Exporting Companies, 1998-1999"), in 1999, the most recent year for which figures are available, the number of Alaska-based exporters was 859. This number represents a 10% increase from 1998.

Target proposal: Meet or exceed the national rate of growth of the number of exporting companies.



Benchmark Comparisons:

During the 1998 to 1999 period, the national rate of growth of the number of exporting companies was 7.5%, based on information collected and reported by the U.S. Department of Commerce.

Background and Strategies:

Diversifying markets is beneficial to Alaska companies and Alaska's economy. The division assists export-ready companies to begin and expand export markets.

- Provide trade information and services to export-ready Alaska companies.
- Assist smaller and new-to-export firms to "test the waters" overseas through relatively inexpensive means such as Alaska Products Catalogs distributed to trade groups, and shared Alaska booths at targeted trade shows.
- With private sector interest and support, organize and conduct trade missions matching industries with potential markets to expand sales in current markets and develop new markets.

Measure:

Increase visitation from domestic and foreign markets.

Alaska's Target & Progress:

Target is to increase overall visitation by 3% in Summer and 3% in Fall/Winter.

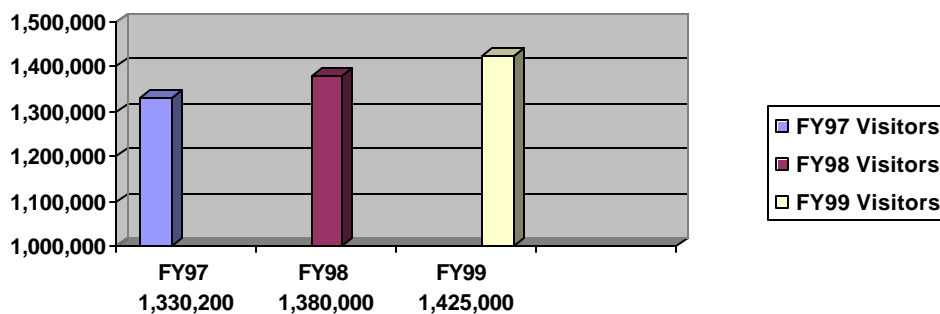
Summer 2001: Progress will not be known until the Alaska Visitor Statistics Program (AVSP) Summer 2001 report is released by the Department. However, in an informal poll of Alaska tourism businesses over 40% of respondents reported business was down for summer of 2001 compared to previous years.

Fall/Winter 2001: Early indicators show that this goal was exceeded by a significant amount. Preliminary data from the AVSP Fall/Winter 2000/01 estimates arrivals were 10-15% higher than in fall/winter 1998-99 (the last year for which information is available).

DCED is updating the Alaska Visitor Statistics Program IV (AVSP), which will provide critical data on Alaska visitors. This information will be used as a benchmark for tracking actual visitation patterns for FY03 and in future years. Once completed, this study will also provide benchmark information for the number of repeat visitors.

The AVSP 1999 Summer Arrivals study shows that visitor traffic growth has slowed over the past several years. In 1996, visitor volume grew by 10%; in 1997, by 5%; and in 1998, by 4%.

YEAR-ROUND ALASKA VISITATION



*No AVSP Fall/Winter arrivals data was collected for 1999/2000 so 1998/1999 figures were used for comparison.

Events of 9/11: The tragic events of September 2001 have altered the course of travel for the foreseeable future. Travel and tourism is one of the hardest hit sectors of the economy and one of the areas where consumer confidence will take the longest time to return. Massive layoffs and bankruptcies are erupting throughout the industry. As a result urgent short term measures have been undertaken by the federal government to generate cash flow and assist the travel industry in regaining its footing. A number of cities and states have begun emergency marketing campaigns to attract consumers who are willing to travel. In Alaska the major impact will occur in the coming months as we head

into the peak booking cycle and summer season. Alaska is expected to be particularly hard hit since many consumers are now afraid to fly, and Alaska's primary mode of travel is by air.

Benchmark Comparisons:

According to the Travel Industry Association (TIA), U.S. domestic travel for 2000 grew by 1% over 1999, while the Pacific region of the U.S. saw an increase of 5% over the previous year. International travel was up 4.9% with cruise industry traffic increasing 16.8%. TIA originally forecasted a 1.8% increase in domestic/international travel for 2002, although these projections are now being re-evaluated due to the terrorist attacks.

Background and Strategies:

Alaska needs to become more competitive in the marketplace; given current funding, this is very difficult to do. In comparison to other states, Alaska ranks 36th in the amount of state funds allocated to tourism marketing. This greatly diminishes the state's ability to compete for visitors. The average state tourism marketing budget for 2001 was \$13.7 million compared to Alaska's \$7.3 million budget. Another important point of reference is that 35 of 50 state tourism marketing programs receive 100% of their funding from the public sector.

International visitors continue to come primarily from Japan, Germany, the United Kingdom and Australia. Based on reports from tour operators, cruise lines and airline sources the 2001 season brought approximately 25,000 visitors from Germany, 23,000 from Japan, 15,000 from the United Kingdom and 12,000 from Australia.

Marketing strategies being implemented to compete for visitors include:

- Adding national cable television.
- Expanding and promoting Official Alaska State Travel Website (www.travelalaska.com) in order to maintain the monthly average of 90,000 visitor sessions and 23.5 million total hits to the site for the year.
- Bolstering Public Relations efforts to include aggressive outreach to travel writers, editors and producers in order to increase national media exposure for Alaska.
- Increasing the level of knowledge regarding Alaska with travel trade and tour operators.

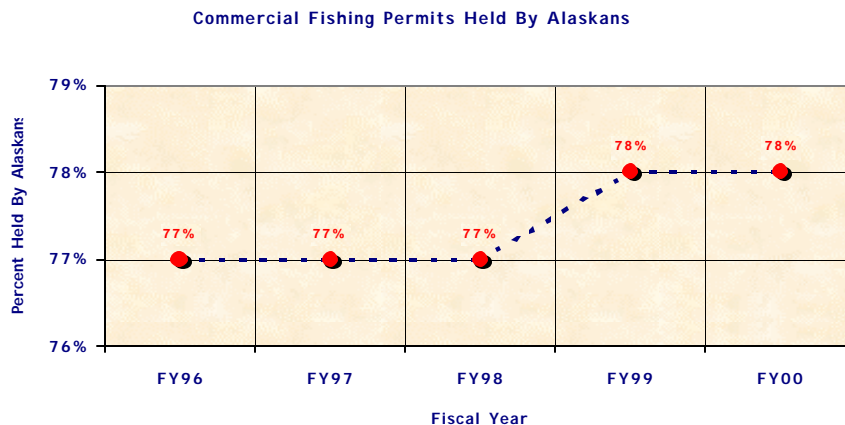
Measure:

Whether the division maintains the proportion of commercial fishing permits held by Alaskans at 75% or higher through the Commercial Fishing Revolving Loan Fund.

Sec 27(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

In FY99 and FY00 (the most recent figures available), the proportion of permits held by Alaskans was 78%. From FY96 to FY98, the proportion of permits held by Alaskans was 77%.



Benchmark Comparisons:

Other than our twenty-five year loan history, there are no other programs similar to this loan program.

The commercial fishing industry continues in flux as world markets adapt to the changing supply of fish from fish farms as well as the more traditional fishing fleets. The salmon markets have been significantly affected, and as a result, they have been extremely volatile for the past several years. It is important that Alaska maintains its place in the worldwide salmon market during these changing times to assure our place for the future. This loan program offers a relatively modest financing program for Alaska resident commercial fishing harvesters. The division's effort is to maintain the proportion of commercial fishing permits held by Alaskans at 75% or higher. To achieve this goal this division will:

- Work with Alaska resident fishermen requesting financing for the purchase of permits.
- Work with Alaska resident fishermen requesting financing for gear, vessel upgrades and/or improvements.
- Travel to fishing communities all over the state to assist them in their planning for financing their on-going fishing businesses.
- Travel to fishing communities all over the state to assist them in solving tax related problems.
- Continue to work with the Alaska Business Development Center, assisting fishermen through our Fisheries Business Assistance Contract.

Measure:

AIDEA -- The number of permanent jobs created.

Sec 29(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

In FY 2001 AIDEA funded loan participations totaling approximately \$9.9 million, creating approximately 185 construction jobs and 163 new jobs, and guaranteed one loan for \$150,000, creating 6 new jobs. In FY2002 AIDEA will purchase between \$50 and \$65 million in loan participations. This is expected to be a record amount and not a figure that is sustainable. In FY 2003, AIDEA will purchase approximately \$30.0 million in loan participations with financial institutions; and guarantee \$2.0 million in small business loans. The number of jobs created is one of the factors in AIDEA's determination to participate in a loan financing; however, AIDEA has not traditionally projected the number of jobs to be created by its financing participations. After a loan is approved AIDEA is able to track that information. On average, over 285 permanent jobs are created annually by AIDEA's loan participations and guarantees.

	Jobs Created/Retained	
	Construction	Permanent
1992	77	34
1993	191	568
1994	334	349
1995	268	215
1996	298	128
1997	504	176
1998	600	500
1999	381	442
2000	506	275
2001	185	169

The number of "permanent jobs created" dropped from FY00 to FY01 primarily due to a drop in loans funded, from \$30.9 million in FY00 to \$9.9 million in FY01. The drop in fundings is in part due to large new construction projects that AIDEA committed to but were not completed within the fiscal year. There is often a lag time between approved loans and funded loans, possibly 60 days to a year. FY02 will reflect the statistics for completed projects that AIDEA committed to in FY01.

Benchmark Comparisons:

No other state in the nation has a public development corporation identical to AIDEA.

Background and Strategies:

AIDEA provides the financing mechanisms necessary to participate in long-term commercial loans, guarantee small business loans, including export transactions, to own projects that promote economic development and to provide conduit financing of projects owned by others that promote economic development.

AIDEA will continue to work with the private sector to develop infrastructure projects that AIDEA can own and lease to the private sector, complimenting private sector investment. AIDEA will also continue to work with the private sector to provide conduit revenue bond financings of projects owned by private sector investments that promote economic development.

Measure:

The percentage of technology project grantees in business because of ASTF grants.
Sec 32(b)(4) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

67% (31 out of 46) reported being in business because of their ASTF grant.

Target: 50% in business because of their ASTF grant.

Benchmark Comparisons:

Annually, ASTF prepares an Alaska science and technology innovation index which can be downloaded from ASTF's website at:

<http://www.astf.org/admin/files/data/docs/TechIndex2001.pdf>.

This index includes historical trends and comparisons with selected other states and the U.S. average. The index represents a snapshot in understanding areas where Alaska is either doing well, average, or poorly in terms of its economy and science and technology innovation and potential.

Background and Strategies:

ASTF co-invests in new business concepts in a portfolio of both new and existing firms. Most Alaskan firms cannot afford R&D projects or risk. New firms offer exciting growth possibilities. Existing firms seeking to add a new business line offer business experience and infrastructure, managerial and financial depth, and support services.

Department Budget Summary by BRU

All dollars in thousands

	General Funds	FY2001 Federal Funds	Actuals Other Funds	Total Funds	General Funds	FY2002 Federal Funds	Authorized Other Funds	Total Funds	General Funds	FY2003 Federal Funds	Governor Other Funds	Total Funds
Formula												
Expenditures												
State Revenue Sharing	28,493.4	5,556.8	1,403.6	35,453.8	12,855.2	15,830.0	1,000.0	29,685.2	12,855.2	15,830.0	1,150.0	29,835.2
Fish Enhancement Tax Receipts	5,302.2	0.0	0.0	5,302.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rural Energy Programs	0.0	0.0	16,091.6	16,091.6	0.0	0.0	15,700.0	15,700.0	0.0	0.0	0.0	0.0
Non-Formula												
Expenditures												
Language Sections	2,190.0	0.0	0.0	2,190.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Executive Admin	2,526.8	235.0	2,246.9	5,008.7	1,532.1	0.0	1,457.2	2,989.3	1,456.1	0.0	1,502.5	2,958.6
Comm Assist & Ec Dev	4,271.4	1,773.2	2,840.1	8,884.7	5,742.1	1,372.6	3,602.1	10,716.8	6,431.0	1,405.4	3,438.3	11,274.7
Safe Communities Program	0.0	0.0	0.0	0.0	16,775.5	0.0	0.0	16,775.5	16,775.5	0.0	0.0	16,775.5
Qualified Trade Assoc. Contract	4,800.0	0.0	0.0	4,800.0	4,605.1	0.0	50.1	4,655.2	4,005.1	0.0	0.0	4,005.1
Investments	0.0	0.0	3,150.6	3,150.6	0.0	0.0	3,399.4	3,399.4	0.0	0.0	3,482.0	3,482.0
Alaska Aerospace Devel Corp	0.0	0.0	4,724.6	4,724.6	0.0	0.0	13,649.2	13,649.2	0.0	0.0	14,612.5	14,612.5
AIDEA	0.0	0.0	5,910.9	5,910.9	0.0	0.0	7,170.8	7,170.8	0.0	0.0	6,539.5	6,539.5
Rural Energy Programs	387.9	22.6	1,759.9	2,170.4	489.7	166.0	1,895.3	2,551.0	0.0	0.0	0.0	0.0
Alaska Energy Authority	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	495.6	168.3	20,427.3	21,091.2
AK Science & Tech Foundation	0.0	0.0	5,360.2	5,360.2	0.0	0.0	10,491.9	10,491.9	0.0	0.0	10,518.6	10,518.6
Alaska Seafood Marketing Inst	0.0	1,643.2	6,945.1	8,588.3	0.0	3,500.0	7,730.2	11,230.2	0.0	3,500.0	7,081.8	10,581.8
Banking, Securities, and Corp	0.0	0.0	1,809.0	1,809.0	0.0	0.0	1,903.2	1,903.2	0.0	0.0	2,199.4	2,199.4

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Insurance	0.0	0.0	3,936.7	3,936.7	0.0	0.0	4,619.6	4,619.6	0.0	0.0	4,791.8	4,791.8
Occupational Licensing	527.4	0.0	5,534.2	6,061.6	545.0	0.0	6,456.4	7,001.4	556.9	0.0	7,029.1	7,586.0
Reg Comm of Ak	0.0	0.0	5,258.2	5,258.2	0.0	0.0	5,871.3	5,871.3	0.0	0.0	6,003.1	6,003.1
DCED State Facilities Rent	496.3	0.0	0.0	496.3	359.9	0.0	178.0	537.9	571.1	0.0	220.9	792.0
Totals	48,995.4	9,230.8	66,971.6	125,197.8	42,904.6	20,868.6	85,174.7	148,947.9	43,146.5	20,903.7	88,996.8	153,047.0

Funding Source Summary

All dollars in thousands

Funding Sources	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
1002 Federal Receipts	9,230.8	20,868.6	20,903.7
1003 General Fund Match	608.2	607.9	617.2
1004 General Fund Receipts	46,422.2	41,718.7	41,939.4
1005 General Fund/Program Receipts	1,965.0	578.0	589.9
1007 Inter-Agency Receipts	8,275.0	7,601.7	7,833.8
1025 Science & Technology Endowment Income	5,915.4	11,058.1	10,518.6
1035 Veterans Revolving Loan Fund	93.6	107.4	61.7
1036 Commercial Fishing Loan Fund	2,502.3	2,698.8	2,898.2
1040 Real Estate Surety Fund	85.3	273.8	253.0
1051 Rural Economic Development Loan Fund	99.8		
1053 Investment Loss Trust Fund	287.2		
1057 Small Business Loan Fund	3.3	3.4	3.5
1061 Capital Improvement Project Receipts	2,045.0	1,378.8	2,233.8
1062 Power Project Loan Fund	802.5	807.5	835.2
1067 Mining Revolving Loan Fund	5.0	5.1	5.2
1068 Child Care Revolving Loan Fund	5.8	6.0	6.2
1069 Historical District Revolving Loan Fund	2.5	2.5	2.5
1070 Fisheries Enhancement Revolving Loan Fund	333.0	332.6	340.7
1071 Alternative Energy Revolving Loan Fund	151.7	151.7	144.9
1074 Bulk Fuel Revolving Loan Fund		49.3	51.0
1089 Power Cost Equalization Fund	15,700.0	15,700.0	16,960.0
1101 Alaska Aerospace Development Corporation Receipts	3,133.2	12,900.6	13,854.7
1102 Alaska Industrial Development & Export Authority Receipts	3,457.9	4,055.3	4,147.6
1107 Alaska Energy Authority Corporate Receipts	791.2	1,051.9	1,067.1
1108 Statutory Designated Program Receipts	12.5	60.0	260.0
1111 Fishermans Fund Income		115.0	115.0
1115 International Trade and Business Endowment Income		496.4	496.4
1141 RCA Receipts	5,252.2	5,871.3	6,003.1
1156 Receipt Supported Services	18,017.2	20,404.5	20,818.7
1164 Rural Development Initiative Fund		43.0	44.0
1170 Small Business Economic Development Revolving Loan Fund			41.9
Totals	125,197.8	148,947.9	153,047.0

Position Summary

Funding Sources	FY2002 Authorized	FY2003 Governor
Permanent Full Time	479	506
Permanent Part Time	6	5
Non Permanent	1	0
Totals	486	511

FY2003 Capital Budget Request

Project Title	General Funds	Federal Funds	Other Funds	Total Funds
Electronic Document Imaging, Storage and Retrieval System	0	0	1,125,000	1,125,000
Loan Servicing Software Replacement	0	0	550,000	550,000
Federal Community Development Grants	280,000	3,000,000	0	3,280,000
Community Block Grants	0	9,000,000	0	9,000,000
Language Section: National Petroleum Reserve Alaska Impact Program	0	1,680,000	0	1,680,000
Language Section:Trans-Alaska Pipeline Liability Fund	0	2,150,000	0	2,150,000
Bulk Fuel Systems Upgrades	0	0	1,600,000	1,600,000
Rural Power Systems Upgrades	500,000	0	0	500,000
Language Section: Electrical Emergencies	0	0	350,000	350,000
Diesel Efficiency and Alternative Energy Program	500,000	0	0	500,000
Federal Energy Projects	0	30,000,000	0	30,000,000
Arctic Winter Games Team Alaska	75,000	0	0	75,000
Delta Junction Missile Defense Test Bed Impact Mitigation Projects	0	10,000,000	0	10,000,000
Department Total	1,355,000	55,830,000	3,625,000	60,810,000

This is an appropriation level summary only. For allocations and the full project details see the capital budget.

Overview of Departmental Budget Changes

COMMUNITY AND BUSINESS DEVELOPMENT

- **Alaska Economic Information System.** A general fund increment is requested to establish four new positions and related expenses for the Alaska Economic Information System (AEIS). The AEIS is designed to provide user-friendly access to all this information at a one-stop portal on the Web. This system will be a tremendous development resource for businesses, communities and individuals - saving them significant time and effort in collecting the information on which to base development plans. Users will be able to view a map of Alaska on line, click on a census area, and quickly get the picture of that area's basic economic industries such as tourism, oil and gas, mining, and seafood. Comprehensive information will also be provided for the critical infrastructure elements of transportation, energy, and utility sectors that support long-term viable economic development. Users will be able to "drill down" through the Web site to get to greater levels of detail about their specific areas of interest, including graphs and working spreadsheets that users can download to their own computers for further analysis. As a portal, the AEIS will also contain a host of links to other Web sites relevant to an understanding of the Alaska economy. The positions would be responsible for working with other state, federal and regional organizations to develop data and protocols to ensure that the information in the AEIS database is as up-to-date, accurate and comprehensive as possible, and to continually expand the information resources contained in the AEIS. Positions will also be responsible for developing detailed, sub-regional economic analyses of specific public policies or development projects.
- **Assistant State Assessor.** A general fund increment for an assistant state assessor position and related expenses is requested to review the property assessment practices used by municipalities on a timely basis. The State Assessor's review of local assessment practices is critical to assuring the integrity of the Full and True Value Determination (FTVD) that is made for property in each municipality. The State Assessor's Full and True Value Determination serves as the State's independent assessment of the full and true value of all taxable property within a given locality.
- **Fisheries Development Position.** An increment for a second fisheries development position and related expenses is requested to work on projects such as salmon industry revitalization, new fisheries development, groundfish industry issues and implementation of seafood in USDA programs. Funding would come from the Commercial Fishing Revolving Loan Fund.

INTERNATIONAL TRADE AND MARKET DEVELOPMENT

- **China Trade Representation.** An increment is requested to provide contract trade representation in the People's Republic of China (PRC) to promote China's import of Alaska goods and services.

QUALIFIED TRADE ASSOCIATION CONTRACT

- **Reduce Uncollectable I/A Authorization.** When the BRU for the Qualified Trade Association was established in FY 2001 from the former Division of Tourism, interagency receipts were transferred from the division. The Division of Tourism collected these receipts from the Department of Transportation for Tourism North and Scenic Byways projects. Since QTA is not a state agency, these funds cannot be collected as interagency receipts.
- **Reduce Authorization.** When tourism marketing was transferred to a qualified trade association (QTA) by statute in 1999, 30% of the marketing budget was to be raised by the QTA. By statute (AS 44.33.125(a)), this percentage increases to 60% in the FY03 contract. Assuming the tourism industry can generate the contribution assumed under the Millennium Plan, based on the Plan's projected total budget of \$10 million, the State's share of the budget will be reduced from \$4.6 million to \$4.0 million.

ALASKA AEROSPACE DEVELOPMENT CORPORATION

- **New Positions.** Continued growth and future launch contracts has determined the need for four staff positions and related expenses to be added to support the administration, operations, and maintenance demands of the corporation. Increments are requested that would fund two positions in Anchorage, an Accounting Technician and a Contracts Manager. The remaining two positions would be a Deputy Director and a Health and Safety Manager at the Kodiak Launch Complex. Funding source is AADC corporate receipts.
- **ASTF to CIP Funding Source Change.** The earnings from ASTF's endowment have dropped significantly the last two years. Endowment earnings have dropped from \$10.4 million in Fiscal Year 2000 to \$5.2 million in Fiscal Year 2001. As a result, the portion of ASTF earnings that went to non-ASTF programs including AADC, increased from 31 to 62 percent. This significantly reduced funding for ASTF and its mission. A fund source change moves that portion of AADC funding that was from the ASTF Endowment funding to CIP Receipts.

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

- **New Positions.** AIDEA requests an increment in personal services to hire three CIP positions. The funding source is I/A receipts from the Alaska Energy Authority (AEA). These positions are needed due to the increase of Denali Commission funded projects managed by AEA rural energy operations.

ALASKA ENERGY AUTHORITY

- **Energy Operations.** AEA is occasionally requested to perform contractual services on behalf of private entities. AEA requests authorization to receive statutory designated program receipts to cover these contracts. AEA expects Sandia Labs to request contractual services to be performed in FY03 for the energy storage into distributed resource electricity supply systems. In addition, due to the increase in Denali Commission funds and projects, an increment for contractual expenditures with CIP receipts as the funding source is requested. A corresponding increment in personal services for three CIP positions is requested in the AIDEA operations component.

BANKING, SECURITIES AND CORPORATIONS

- **New Investigator.** One new fee-supported position is requested. The division needs an Investigator III to assist the examiners in investigating alleged violations of law and in compiling and organizing evidence to support enforcement action. Securities complaints have increased 75% in the last two years. Examiners who must set aside other responsibilities to conduct the investigation now conduct investigations, but have little or no formal training in investigation techniques. This position will give the division trained investigative staff to process cases more quickly and efficiently through to resolution. The position is to be funded with fees through receipt supported services.
- **Securities Database Maintenance.** The division seeks an increment to provide funds for the maintenance/upgrade agreement with the securities database vendor. The database will be purchased in FY02 with a FY02 capital appropriation, and regular vendor support is required to fix problems and provide updates to reflect changes in federal and state laws and procedures. This request is to be funded with fees through receipt supported services.
- **Legal Services.** The division seeks an increment to provide funds for an RSA with the Department of Law for legal services of a half-time attorney. The division has no attorney on staff and needs the Department of Law to develop and provide expertise in banking, corporation, and securities law. Administrative orders, hearings, and other activities subject the State to legal proceedings that require the division to obtain expert legal support, similar to that of the other regulatory agencies in the department. This request is to be funded with fees through receipt supported services.
- **State Banking Program Accreditation.** The division seeks an increment to provide funds to obtain accreditation of the division's bank examination program and certification of examination staff by the Conference of State Bank Supervisors (CSBS). Currently 44 jurisdictions in the U.S. are accredited by CSBS, and accreditation assures the State that other state and federal regulators will accept examination reports by the division's examiners. Without this assurance, industry could be subject to increase regulatory burdens. This request is to be funded with fees through receipt supported services.

INSURANCE

- **Create New Market Conduct Examiner Position.** Currently the Market Conduct Section is composed of only 3 positions, one of which is supervisory. In the past the Alaska Division of Insurance had six Market Conduct Insurance Analysts (examiners) plus a supervisor. Gradually, the section was redesigned and moved entirely to Anchorage, and through attrition and other factors, the section was reduced to one person. Adding a Market Conduct position to Juneau results in closer proximity for the conduct of specialized market conduct examinations of surplus lines brokers, the majority of whom are Seattle based. Alaska is probably the one state that depends most heavily upon the specialty surplus lines markets to provide for the insurance needs of much of our small and mid-sized commercial risks. The market conduct section of the division has been a longstanding resource for the resident and non-resident surplus lines brokerage houses alike, and has been instrumental in developing and maintaining a level regulatory playing field. This market is vital to the economic well being of our economy.

OCCUPATIONAL LICENSING

- **Strengthening Investigative Unit.** The primary goal of the division in FY03 will be to restructure and support the Investigative Unit. The Investigative Unit has grown from six investigators to fourteen as the number of licensing programs, the number of license holders and the complexity of cases have expanded. The growth of the Investigative Unit and its responsibilities means that the Chief Investigator can no longer directly supervise all investigators and give each case the necessary oversight. Supervision is important because of the impact of investigative decisions on the life of the accused and the safety of the public. The legislature recognized the importance of the Investigative Unit when it created a budget measure focused on investigative efficiency. The division would like to establish a senior investigator position to oversee the work of a section of the unit. The

division also requests a technician position to assist all the investigators in tracking and organizing their caseload. Funding would be from receipt supported services.

- **Revision of Licensing Staff Classification for Pay Equity.** The class specifications and compensation for Occupational Licensing Examiners have not been significantly adjusted or reviewed in over twenty-five years. The work descriptions in the specifications hearken back to the era of typewriters and depict the work in clerical terms that may reflect gender bias. Today, Occupational Licensing Examiners generally serve as the primary staff person for one or more statewide licensing programs and the sole support for licensing boards. The Department of Administration expects to complete a classification study of the Occupational Licensing series in November. Funding would be from receipt supported services.
- **Board of Nursing Support.** The Board of Nursing licenses over 10,000 nurses, advanced nurse practitioners and certified nurse aides, representing over 25% of the division's licensees. Board responsibilities have become increasingly complex and challenging due to the mobility of the workforce, changes in healthcare delivery, public protection expectations and expansion of the nurse aides certification program. The Board cannot meet the needs of the healthcare industry and fulfill its public safety responsibilities without reorganization and expansion of its staff. The Board has requested the following increments:
 - Establish and fund an Investigator III to create a second nurse investigator. 106 new Board of Nursing investigations opened during FY01.
 - Establish and fund a Nurse III to assist the executive administrator of the Board of Nursing at a professional level and provide focus on nurses impaired by substance abuse.
 - Establish and fund a Licensing Examiner (range 14B) to certify the increasing number of nurse aides and to handle the additional work when temporary nurse aide certification is created to provide time for criminal justice fingerprint checks.
 - Provide funding for Criminal justice reports on nurse and nurse aide applicants based on fingerprint checks by DPS and the FBI. The Department of Public Safety charges \$59 for each state/federal fingerprint check. The Board of Nursing believes that criminal background checks are necessary to protect the public and will, therefore, adopted regulations requiring fingerprint checks during its September 19 meeting.
 - Funding would be from receipt supported services.
- **Establish a Nurse III Position to Directly Administer the Colleagues in Caring Program.** The University of Alaska through an RSA currently administers the program for the division. In FY01, the division received 140.0 in expenditure authority to support Colleagues in Caring, which is a consortium of nursing employers, educators and regulators dedicated to ensure an adequate supply of properly trained nursing professionals. The Board believes it can deliver the best program by bringing Colleagues in Caring directly under the Board, following the model of other states. 78.9 will remain in contractual services to support Board Colleagues in Caring activities.
- **Increase Existing Part-time Real Estate Licensing Examiner to Full time.** The real estate industry has been consolidating, resulting in an increased number of transfers between offices, broker changes and other actions requiring license processing. The nature of the business and the amounts of money involved in transactions mean that rapid response by the division is demanded. The Real Estate Commission decided at its September 14 to reallocate a portion of the Real Estate Surety Fund expenditure authority to its licensing function to make the licensing examiner a full-time position.
- **Public Accountancy Exam Price Increase.** The organization that writes the national Certified Public Accountancy Examination has announced that the price the division is charged for each copy of the exam will double in FY03. The division spent \$30.3 purchasing CPA exams in FY01 and anticipates spending \$60.6 in FY03. Applicants for licenses pay the division for the exams, but the division expenditure authority needs to be increased to cover this expense.

DCED STATE FACILITIES RENT ADJUSTMENTS

- **Increments.** Increments for the Divisions of Occupational Licensing and Banking, Securities, & Corporations are requested to cover rent increases in FY03. An increment for the DCED State Facilities Rent Component is requested to receive the rent payments, in the form of interagency receipts and general funds to cover rent increases for divisions funded by general funds.
- **Transfers.** The Divisions of Investments, Insurance, Banking, Securities, and Corporations, and Occupational Licensing in late FY02 are moving from leased space in the Frontier Building to the State owned Atwood Building. Lease monies from the Department of Administration will be transferred to this component to cover FY03 Atwood Building rent expenses.
- **Correction.** When general funds were allocated to the departments to cover lease costs of the Community Building, the footage of the DCED was transposed with the footage of the Department of Education and Early Development (DEED). A transfer of funds from DEED to this component corrects the error.

Summary of Department Budget Changes by BRU

From FY2002 Authorized to FY2003 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	42,904.6	20,868.6	85,174.7	148,947.9
Adjustments which will continue current level of service:				
-Executive Admin	-76.0	0.0	45.3	-30.7
-Comm Assist & Ec Dev	248.9	32.8	-126.6	155.1
-State Revenue Sharing	0.0	0.0	150.0	150.0
-Investments	0.0	0.0	82.6	82.6
-Alaska Aerospace Devel Corp	0.0	0.0	46.2	46.2
-AIDEA	0.0	0.0	-871.3	-871.3
-Rural Energy Programs	-489.7	-166.0	-17,595.3	-18,251.0
-Alaska Energy Authority	489.7	166.0	18,647.2	19,302.9
-AK Science & Tech Foundation	0.0	0.0	26.7	26.7
-Alaska Seafood Marketing Inst	0.0	0.0	51.6	51.6
-Banking, Securities, and Corp	0.0	0.0	53.9	53.9
-Insurance	0.0	0.0	112.3	112.3
-Occupational Licensing	11.9	0.0	122.4	134.3
-Reg Comm of Ak	0.0	0.0	131.8	131.8
-DCED State Facilities Rent	197.1	0.0	0.0	197.1
Proposed budget decreases:				
-Comm Assist & Ec Dev	0.0	0.0	-112.2	-112.2
-Qualified Trade Assoc. Contract	-600.0	0.0	-50.1	-650.1
-Alaska Seafood Marketing Inst	0.0	0.0	-700.0	-700.0
-Occupational Licensing	0.0	0.0	-4.0	-4.0
Proposed budget increases:				
-Comm Assist & Ec Dev	440.0	0.0	75.0	515.0
-Alaska Aerospace Devel Corp	0.0	0.0	917.1	917.1
-AIDEA	0.0	0.0	240.0	240.0
-Alaska Energy Authority	5.9	2.3	1,780.1	1,788.3
-Banking, Securities, and Corp	0.0	0.0	242.3	242.3
-Insurance	0.0	0.0	59.9	59.9
-Occupational Licensing	0.0	0.0	454.3	454.3
-DCED State Facilities Rent	14.1	0.0	42.9	57.0
FY2003 Governor	43,146.5	20,903.7	88,996.8	153,047.0

Executive Administration Budget Request Unit

Contact: Tom Lawson, Administrative Services Director

Tel: (907) 465-2506 **Fax:** (907) 465-2563 **E-mail:** Tom_Lawson@dced.state.ak.us

BRU Mission

1. to effectively manage the department and to serve as a liaison between the department and private, governmental, and other institutions and agencies; and
2. to provide support services to departmental programs.

BRU Services Provided

The Commissioner's Office provides leadership, sets department priorities and policy, and is the Governor's direct liaison to the department.

The Division of Administrative Services facilitates and ensures the delivery of the services provided by the Department of Community and Economic Development by giving efficient and cost effective business management support in the areas of financial services, data processing, procurement and supply, and human resources.

BRU Goals and Strategies

See components.

Key BRU Issues for FY2002 – 2003

See components.

Major BRU Accomplishments in 2001

See components.

Key Performance Measures for FY2003

Measure:

The percentage of divisions that meet assigned performance measures.
Sec 22(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

There are 7 divisions and 6 agencies within DCED. In HB 250, the mission and measures bill for FY02, DCED has 58 measures. Of this amount, 9 are new from FY01, 28 are revised, and 2 FY01 measures were deleted. Generally, the divisions accomplished their measures in FY01 and are on track to accomplish the FY02 measures.

The target is for 100% of divisions and agencies to meet the target in each measure.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

Measures need to include targets so it will be apparent whether the measure has been accomplished. Many of the previous measures simply required reporting data.

Measure:

The reduction in per unit cost in the departmental divisions.
Sec 22(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The department has made no progress on this measure because the purpose of the measure is not clear. Every DCED division/agency is expected to be managed productively and efficiently, looking for ways to reduce expenditures. However, there are numerous ways to measure per unit cost that very well differ between division and agency, based on its function. However, the per unit cost is likely not to be a significant indicator of the effectiveness of the division/agency, even if some defined per unit cost is reduced. The budgets of the divisions/agencies are set by the Legislature and budget increases or decreases ultimately affect whether this measure is met or not.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

This measure was added to the Commissioner's Office by the Legislature in FY01 and again in FY02. The measure is unique to the DCED Commissioner's Office as the measure is not in any other department commissioner's office sections in HB 250, the mission and measures bill. The department recommends that this measure be deleted as it is unclear.

Measure:

The average time taken to respond to complaints and questions that have been elevated to the commissioner's office.
Sec 22(b)(3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

This measure was added by the Legislature in FY02. Baseline data is being collected in FY02. The target is expected to be 10 working days to respond to written complaints that are elevated to the commissioner's office.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

A tracking system is established to log in all commissioner's office correspondence, including complaints. The tracking system records the date received, to whom the response was assigned, and when the response was sent.

Measure:

The number of late penalties for payroll or vendor payments.
Sec 23(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

There was \$1.0 in interest and penalties paid in FY01. To date in FY02 is no penalties or interest has been paid. \$1.2 in penalties was paid by ASMI on their travel account in FY00.

The target is to have no late penalties or interest charges.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

The strategy is to pay employees and vendors promptly and accurately to avoid late penalties.

Measure:

The number of audit exceptions.
Sec 23(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

There were three audit exceptions in FY00. Two were related to the FY97 Bristol Bay fishing disaster established under the Department of Community and Regional Affairs. The third audit exception has been rectified. The FY01

single audit is not completed yet.

There was one audit exception in FY99.

The FY03 target is to have no audit exceptions.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

The strategy is to manage the department's finances efficiently and effectively to avoid audit exceptions.

Measure:

The number of procurement protests.
Sec 23(b)(3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

In FY01 there was one new procurement protest regarding a professional services contract awarded by the Alaska Industrial Development and Export Authority. AIDEA's decision is currently being appealed to DOA.

In FY00 there were 4 protests and of the 4, 2 were denied with denial upheld, 1 to appeal with a settlement and 1 appeal granted in part.

The FY03 target is to have no defensible procurement protests.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

The strategy is to ensure compliance with procurement statutes/regulations/guidelines to limit procurement protests.

Measure:

The number of union employees in the department who file grievances compared to other departments.
Sec 23(b)(4) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

There were no grievances filed in DCED in FY01 and none have been filed to date in FY02. DCED was the only department in the first quarter of FY02 to have no grievances filed or pending. No data is currently available on the number of grievances filed in other departments in FY01.

In FY00, 8 grievances were filed in DCED, ranking DCED with 2 other departments having the lowest number of grievances filed.

The target is to have fewer grievances than any other department.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

The strategy is to provide exceptional human resources services to department employees and managers to effectively eliminate grievances filed by union employees in the department.

Measure:

The number of grievances advanced to and sustained in arbitration.
Sec 23(b)(5) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

There were no grievances advanced to and sustained in arbitration in FY01 and FY00. None have occurred to date in FY02.

The target is to have no grievances sustained.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

The strategy is to provide exceptional human resources services to department employees and managers to effectively eliminate grievances by union employees in the department advanced to and sustained in arbitration.

Measure:

The number of contested classification actions.

Sec 23(b)(6) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

There were no contested classification actions in FY01 and FY00 and none have occurred to date in FY02.

The target is to have no contested classification actions that are sustained.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

The strategy is to provide exceptional human resources services to department employees and managers to effectively eliminate contested classification actions.

Executive Administration
BRU Financial Summary by Component

All dollars in thousands

	General Funds	FY2001 Actuals Federal Funds	Other Funds	Total Funds	General Funds	FY2002 Authorized Federal Funds	Other Funds	Total Funds	General Funds	FY2003 Governor Federal Funds	Other Funds	Total Funds
<u>Formula</u>												
<u>Expenditures</u>												
None.												
<u>Non-Formula</u>												
<u>Expenditures</u>												
Commissioner's Office	253.4	0.0	462.4	715.8	262.5	0.0	414.3	676.8	144.8	0.0	431.1	575.9
Administrative Services	1,265.3	0.0	846.6	2,111.9	1,269.6	0.0	1,042.9	2,312.5	1,311.3	0.0	1,071.4	2,382.7
International Trade	1,008.1	235.0	937.9	2,181.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Totals	2,526.8	235.0	2,246.9	5,008.7	1,532.1	0.0	1,457.2	2,989.3	1,456.1	0.0	1,502.5	2,958.6

Executive Administration**Proposed Changes in Levels of Service for FY2003**

When the Department of Community and Regional Affairs (DCRA) merged with the Department of Commerce and Economic Development, DCRA brought with it a grant to Alaska Legal Services for low-income client services. This was in the Commissioner's Office in DCRA and transferred to the new department in the same component. Since the grants section in the Division of Community and Business Development is administering this grant, the authorization is being transferred to the Community and Business Development Component.

Executive Administration**Summary of BRU Budget Changes by Component****From FY2002 Authorized to FY2003 Governor***All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	1,532.1	0.0	1,457.2	2,989.3
Adjustments which will continue current level of service:				
-Commissioner's Office	-117.7	0.0	16.8	-100.9
-Administrative Services	41.7	0.0	28.5	70.2
FY2003 Governor	1,456.1	0.0	1,502.5	2,958.6

Component: Commissioner's Office

Contact: Tom Lawson, Administrative Services Director

Tel: (907) 465-2505 **Fax:** (907) 465-2563 **E-mail:** Tom_Lawson@dced.state.ak.us

Component Mission

To effectively manage the department and to serve as a liaison between the department and private, governmental, and other institutions and agencies.

Component Services Provided

The Commissioner provides leadership, sets department priorities and policy, and is the Governor's direct liaison to the department. The Commissioner directs policy through coordination with directors of the line divisions and independent agencies which comprise the department. The Commissioner's Office staff support the Commissioner in the overall management and coordination of departmental activities, policy direction, management oversight, and legislative coordination. In addition to program responsibilities, the Commissioner serves on the following boards and commissions:

Alaska Aerospace Development Corporation
Alaska Coastal Policy Council
Alaska Commission on Aging
Alaska Human Resources Investment Council
Alaska Industrial Development and Export Authority
Alaska Energy Authority
Alaska Railroad Corporation
Alaska Royalty Oil and Gas Development Advisory Board
Alaska Student Loan Corporation
Board of Marine Pilots
Oil and Gas Policy Council
Power Project Loan Committee
Prince William Sound Oil Spill Recovery Institute Advisory Board
State Bond Committee
Telecommunications Information Council

Component Goals and Strategies

Strengthen Rural Communities

- Increase the capacity of local government to effectively provide essential public services by providing communities with training and onsite technical assistance.
- Enhance the availability and quality of basic local government services by providing financial assistance that supplements local revenue generation.
- Assist communities experiencing sudden economic dislocation.

Diversify Alaska's economic base to benefit all Alaskans.

- Partner with other state agencies, private businesses, ANCSA corporations, tribes, and local governments to identify and development opportunities for regional and local economic development.
- Work with the Governor's Jobs Cabinet in seeking solutions and strategies for improving the economic climate in rural Alaska.

Market Alaska's commercial opportunities and geographic advantages to the rest of the nation and the global business community.

- Visit corporate boardrooms to solicit investment in Alaska.
- Participate in business trade missions to key markets and potential markets.
- Work with the private sector to develop and implement tourism programs designed to increase independent travelers to Alaska and expand tourism benefits to rural areas of the state.

Strengthen Alaska's businesses.

- Provide technical and financial assistance.
- Advocate for the reduction of barriers to diversified economic development.

Protect Alaska's citizens and businesses.

- Maintain a fair and consistent regulatory environment.
- Support regulations that balance economic, public safety and environmental issues.

Key Component Issues for FY2002 – 2003

Impact of Terrorism - Alaska's economy may be negatively impacted by events surrounding the terrorist attacks of September 11, 2001. In October 2001, Governor Knowles appointed a task force, co-chaired by the commissioner of DCED, to examine the impact of terrorism on Alaska's economy and make a report in 60 days. Concerns have been expressed by businesses in several key industries, such as tourism, oil and gas, and air cargo, about what recent events mean to Alaska's economy. The group will also make recommendations on legislation or administrative actions that can be taken to mitigate the impacts on businesses and Alaska's workforce.

Workforce - The Department is increasingly encountering the recruitment/retention difficulties faced by all state agencies. Recruitment for positions requiring specialized technical expertise is becoming more and more difficult due to lack of qualified in-state candidates coupled with non-competitive salaries within those fields. State employee salaries and benefits generally are no longer as competitive as is necessary to attract quality candidates for many state positions. A contributing factor is the out-dated state classification system. Many job class specifications are 20 or more years old with restrictive minimum qualifications and do not produce sufficient applicant pools. A further contributing factor is the "graying" of the workforce, a nationwide phenomenon where the "baby boomer" generation of workers is reaching retirement age. Younger replacement workers are not only far fewer in numbers, they do not share the prior generations' notion of staying with the same employer for years. Even if quality replacement workers are found, the state currently does not have the tools/ability to provide retention incentives.

China Trade - Having established trade representation early on in markets like Japan, Korea, Taiwan and Sakhalin, Alaska exports to those markets have grown substantially. Alaska's worldwide exports were \$2.5 billion in 2000. In addition to maintaining a strong trade presence in these traditional markets, the state should now take steps to establish trade representation in China, an emerging market with significant potential for Alaska's goods and services.

Business Attraction - In order to expand and diversify the economy, Alaska must attract new industry and investment to the state. Doing so will help expand employment opportunities for Alaskans and diversify the tax base. Business and investment recruitment is a highly competitive endeavor. Cities, counties and states across America compete to attract business to their communities. In reality, the competition is global. American communities often find themselves competing with overseas locales for new business and investment. If Alaska is to succeed in attracting its fair share, sufficient resources will need to be deployed to enable an effective, pro-active recruitment program.

Tourism Marketing - Beginning in FY 03, state law requires the qualified trade association contractor to increase its contribution to the marketing program from 30 to 60 percent. Unless additional funds are generated from private sector companies, the state's match will be reduced. In addition, Alaska's public funding for tourism marketing has declined from over \$10 million in FY92 to \$4.6 million in FY02. While other states have increased their funding by 25 percent in the past five years, Alaska has slipped from 7th to 29th place in the total amount spent on tourism programs, and now ranks 36th in the amount of public sector funds allocated to tourism. This decline in state funding requires industry to find ways to more effectively utilize its marketing money.

Alaska Industrial Development and Export Authority Projects - Begin sustained production of Alaska's first seafood manufacturing facility, Alaska Seafood International in Anchorage and resolve issues surrounding future usage of the Healy Clean Coal Project.

Rural Energy - The need to reduce energy costs in rural Alaska has become more urgent due to the sharp increase in fuel prices that has occurred during the past year. Strategies to reduce these costs through energy production efficiencies, energy production alternatives, and energy conservation need to be clearly identified, developed, and aggressively implemented.

Power Cost Equalization - The FY02 amount available from the PCE endowment appropriation is based on 7% of the market value of the fund on February 1, 2001 or \$7,062,156.58. This amount was inadvertently not appropriated to the

PCE Rural Electric Capitalization fund for use in FY02. Corrective action will be requested in the FY02 supplemental. The endowment is expected to generate approximately \$12 million for PCE in future years beginning in FY03 after the proceeds from Four Dam Pool divestiture are deposited. Based on the \$15.7 million appropriation level for FY02, the program has been prorated to 92% for community participants. In addition to the PCE endowment earnings, \$2.14 million in other funds must be appropriated to the PCE fund to maintain the PCE program at the \$15.7 million funding level in FY03. Because of increased fuel costs, the PCE program is expected to cost \$16.96 million in FY03 to operate the program at the statutorily established level.

Alaska Science and Technology Foundation - The ASTF endowment (\$101 million principal) is co-invested with the Permanent Fund and generates earnings. The earnings have been used for legislative appropriations, large grants, ASTF operations (primarily staff), partner organizations (economic development infrastructure), and technology, knowledge, and teacher grants. Annual earnings have declined from \$14 million in FY1998 to \$5.2 million in FY2001. Earnings have declined primarily due to weaker stock market performance and a smaller earnings base. Over the last five years, ASTF's earnings base has eroded due to cumulative appropriations of \$13.1 million for the University of Alaska (UA) and \$2.7 million for Alaska Aerospace Development Corporation (AADC). For the past 2 years, ASTF has been limited in its ability to fund new grant proposals. At a time when Alaska's economy is growing more slowly than the national economy, and our faster growing technology sector is still relatively small compared to other states, this lessened ability of ASTF to provide seed capital and finance group projects with industry merits concern. The ASTF Board believes the long-term solution is to replace ASTF funding for the annual UA and AADC appropriations beginning in FY03. In addition, the UA and AADC appropriations of ASTF funding may be reduced through the FY02 supplemental.

Salmon Industry - The Alaska salmon industry faces many serious challenges in the years ahead due to the increasing worldwide production of low priced, high-quality farmed salmon and the imminent mass production of farmed halibut. The Alaska Seafood Marketing Institute must identify appropriate research and implementation strategies to encourage the improvement in quality and value of Alaska salmon and increase our marketing presence in the US and foreign markets.

Major Component Accomplishments in 2001

Participated in the Governor' Rural Construction Working Group which resulted in a precedent setting agreement between unions, contractors, the state, and non-profit natives corporations regarding capital project construction in rural Alaska. Related activities designed and implemented by DCED to assist rural residents to better position themselves for the multi-million dollar public construction projects scheduled for the next three years include: 1) development of Job Summits, to increase local/regional employment; 2) Community Resumes, which increased the utilization of community assets on construction jobs, and 3) development of a public construction database for all projected work scheduled for the next three years.

Formalized a process to respond to economic disasters in Alaska by utilizing a coordinated response partnership and making resources accessible to affected regions and communities.

Assisted in the development of the Alaska Photo Library Web site that provides high quality, royalty free images of Alaska for promotional and educational uses.

Conducted with DF&G the first ever multi-species allocation Community Development Quota (CDQ) process during the fall of 2000. All quota including groundfish, halibut and crab species were allocated during the two-year Community Development Plan (CDP) cycle of 2001-2002.

Participated in Governor's Mission to China with stops in Hong Kong, Shanghai and Beijing. Results: Alaska company entered into a joint venture with the Chinese pipeline and oil company, SINOPEC; and seafood sales nearly doubled in latter half of 2000. Mission afforded opportunity to thank existing customers and introduce Alaska's resource and service exports to potential buyers.

Participated in Governor's Mission to Japan with approximately two dozen high-level private sector participants. Raised profile while initiating and renewing business ties with Alaska's major trading partner.

Oversaw the qualified trade association contract for state tourism marketing. The contractor increased and expanded the selection of marketing services to businesses. New programs included: advertising on specialty websites featuring adventure/ecotourism; sportfishing and cultural tourism; online travel specials on website to allow businesses to promote short-term special offers to consumers; electronic newsletter which allows follow-up marketing to consumers.

Helped the Alaska Seafood International manufacturing facility (ASI) owners negotiate an organizational restructuring to provide operating capital and a new owner-operator. ASI is restarting operations and is processing orders. In full production, ASI will provide 450 year-round manufacturing jobs, result in hundreds of indirect jobs, and stimulate the local economies of fishing communities by providing a reliable market for their product.

Oversight of the Healy Clean Coal Project (HCCP) was transferred to Golden Valley Electric Association (GVEA) under a settlement agreement during the prior year. The settlement agreement ended two years of litigation between AIDEA and GVEA. During this post-settlement period, AIDEA and GVEA are exploring financing alternatives to complete a retrofit of the Project, to allow the resumption of power generation.

Statutory and Regulatory Authority

AS 44.33.010-020

Commissioner's Office

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	418.5	447.0	473.8
72000 Travel	55.0	32.0	32.0
73000 Contractual	101.6	65.6	62.9
74000 Supplies	5.8	7.2	7.2
75000 Equipment	9.9	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	125.0	125.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	715.8	676.8	575.9
Funding Sources:			
1004 General Fund Receipts	253.4	262.5	144.8
1007 Inter-Agency Receipts	462.4	414.3	431.1
Funding Totals	715.8	676.8	575.9

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
<u>Unrestricted Revenues</u>						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
<u>Restricted Revenues</u>						
Interagency Receipts	51015	462.4	414.3	420.0	431.1	431.1
Restricted Total		462.4	414.3	420.0	431.1	431.1
Total Estimated Revenues		462.4	414.3	420.0	431.1	431.1

Commissioner's Office**Proposed Changes in Levels of Service for FY2003**

When the Department of Community and Regional Affairs (DCRA) merged with the Department of Commerce and Economic Development, DCRA brought with it a grant to Alaska Legal Services for low-income client services. This was in the Commissioner's Office in DCRA and transferred to the new department in the same component. Since the grants section in the Division of Community and Business Development is administering this grant, the authorization is being transferred to the Community and Business Development Component.

Summary of Component Budget Changes**From FY2002 Authorized to FY2003 Governor***All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	262.5	0.0	414.3	676.8
Adjustments which will continue current level of service:				
-Cost Allocation I/A correction ADN 0820059	0.0	0.0	5.7	5.7
-Alaska Legal Services Grant to Community and Business Development Component	-125.0	0.0	0.0	-125.0
-Year 3 Labor Costs - Net Change from FY2002	7.3	0.0	11.1	18.4
FY2003 Governor	144.8	0.0	431.1	575.9

Commissioner's Office

Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	6	6	Annual Salaries	359,462
Part-time	0	0	COLA	11,681
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	115,406
			<i>Less 2.62% Vacancy Factor</i>	(12,769)
			Lump Sum Premium Pay	0
Totals	6	6	Total Personal Services	473,780

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Clerk II	0	0	1	0	1
Commissioner	1	0	0	0	1
Dep Commissioner	1	0	1	0	2
Exec Secretary II	1	0	0	0	1
Secretary	0	0	1	0	1
Totals	3	0	3	0	6

Component: Administrative Services

Contact: Tom Lawson, Division Director

Tel: (907) 465-2506 **Fax:** (907) 465-2563 **E-mail:** Tom_Lawson@dced.state.ak.us

Component Mission

The mission of the Division of Administrative Services is to provide support services to departmental programs.

Component Services Provided

Facilitates and ensures the delivery of the services provided by the Department of Community and Economic Development by giving efficient and cost effective business management support in four areas:

Financial Services provides the full spectrum of revenue and expenditure fund, appropriation, and cost/project accounting in accordance with governmental budgeting and accounting principles and federal cost accounting principles. This includes preparing operating and capital budget requests; establishing and maintaining accounting systems; committing the funds for and payment of out-going grants to grantees, contractors, vendors, and travelers; billing for and recording of revenue from the federal government, other governmental units, and the general public; and overall providing financial projections using both accrual and cash accounting principles to ensure that Legislative appropriations are neither over-spend or under collected.

Procurement and Supply provides the mailroom services, equipment and property control, solicitation and purchase of equipment and supplies, solicitation and management of services contracts (professional and non-professional), and management of physical office space throughout Alaska in accordance with the Uniform Commercial Code, contracting principles, and the state procurement code AS 36.30 and 2 AAC 12.

Data Processing maintains and installs the department's computer systems, network, databases, and webpages; provides database and e-commerce development services; and trains users in software and hardware capabilities.

Human Resources provides a full range of services to the department which includes ensuring compliance with all federal and state employment laws and regulations as well as collective bargaining agreements, recruitment, classification services including individual position allocation and job classification studies, employee/management relations, leave/benefits administration, payroll services, and assists the department's managers in developing a high quality work force.

Component Goals and Strategies

Manage the department's finances efficiently and effectively:

- Ensure that every agency within DCED can make informed budgetary and financial decisions.
- Ensure that governmental accounting principles, federal grant accounting principles and specific State of Alaska accounting requirements are complied with.
- Ensure Legislative appropriations are maximized and appropriations are neither under-collected nor over spent.
- Ensure accurate financial information and reports are available for the Legislature, Department of Administration, other state agencies, federal government, and management within DCED.
- Ensure timely and accurate billing of federal agencies, other governmental units, and general public to ensure sufficient cash flow is maintained within the General Fund and other statutorily created funds.
- Pay grantees, contractors, vendors, and employee travel reimbursements accurately and promptly.

Manage the department's procurement and property efficiently and effectively:

- Ensure adherence to established procurement principles such as Uniform Commercial Code, contracting principles, AS 36.30 and 2 AAC 12.
- Ensure that office space, services, goods, equipment, and supplies are procured and managed in a fashion consistent with all requirements and meet the needs of DCED agencies.
- Ensure the security of property and equipment.
- Ensure the timely distribution of mail.

Provide Data Processing services efficiently and effectively:

- Provide an environment that makes department data easily accessible to local area, wide area and Internet users.
- Provide effective security on department data so that the data is never in any danger of being compromised.
- Create a suite of applications for each division that will allow employees to do their jobs as quickly and efficiently as possible.
- Respond to requests for programming in as timely a manner possible.
- Meet with key division personnel on a periodic basis to assess their future and present needs and to establish timelines for completing their requests.
- Maintain and tune all applications so they are efficient and bug free.
- Develop internet applications that will allow the public to access information maintained by the department.
- Develop e-commerce applications that will allow licensees in all divisions to update or make initial licensure from the web.
- Provide quick and effective help to department employees for resolution of computer related problems.
- Maintain a trouble free network of computers, routers, printers, scanners and other devices that make up the entire network.

Provide exceptional human resources services to department employees and managers.

- Assist managers and supervisors with recruitment strategies that are cost effective yet produce quality candidates for consideration.
- Assist managers and supervisors to work with troubled employees to correct performance or other workplace issues.
- Take corrective action through progressive and constructive discipline up to and including dismissal.
- Retain quality employees through appropriate classification, effective development, recognition and reward systems.

Key Component Issues for FY2002 – 2003

The Department is increasingly encountering the recruitment/retention difficulties faced by all state agencies. Recruitment for positions requiring specialized technical expertise (Analyst Programmers, Utility Engineers, Insurance Financial Examiners, etc.) is becoming more and more difficult due to lack of qualified in-state candidates coupled with non-competitive salaries within those fields nationwide. State employee salaries and benefits generally are no longer as competitive as is necessary to attract quality candidates for many state positions. A contributing factor is the out-dated state classification system. Many job class specifications are 20 or more years old with restrictive minimum qualifications and do not produce sufficient applicant pools. A further contributing factor is the "graying" of the workforce, a nationwide phenomenon where the "baby boomer" generation of workers is reaching retirement age. Younger replacement workers are not only far fewer in numbers, they do not share the prior generations' notion of staying with the same employer for years. Even if quality replacement workers are found, the state currently does not have the tools/ability to provide retention incentives. In particular, retaining staff in the division's Data Processing group is, and is likely to remain, a problem. A great deal of effort is spent recruiting, hiring, and training DP staff only to have staff depart for jobs outside of state government.

The division is continuously seeking out and implementing ways to reduce the cost of its services as well as the cost of departmental administrative overhead in general. Numerous processes and procedures have already been streamlined to minimize the amount of time and effort it takes to get things done (both within and outside the division), while maintaining appropriate accountability controls.

Major Component Accomplishments in 2001

The Human Resource Office focused on successful employee/management relations, effectively defusing situations by providing advice and counseling to supervisors/managers as well as serving as a sounding board for employees. As a result, NO grievances or complaints were filed within the department during FY '01. Incremental progress was made in the area of classification with the broadening of the minimum qualifications for the Insurance Analyst, Institutional Financial Examiner, Utility Tariff Analyst, and Securities Examiner job classification series.

In an effort to get young people interested in a career working for the State of Alaska, the Department began a high school intern project. To date, four intern positions have been established to assist in the development of the Alaska Economic Information System, a Web based statewide economic information system which will ultimately present economic variables such as employment, earnings, market shares, production, etc. summarized in graph form on a

regional basis.

The Data Processing Group worked with:

- The Division of Community and Business Development to develop and implement the Alaska Photo Library Web site. This site provides high quality, royalty free images of Alaska for promotional and educational uses. Images with a quality suitable from web site design and use can be download and used in real-time, high quality images for use in printed materials are available via request with 24 hours
- The Division of Occupational Licensing to:
 - make the Big Game Guide Use Area maps available online. Maps can be viewed and printed from the internet, or downloaded by print shops for printing on large format printers;
 - developed an online license renewal system for the Architects, Engineers and Land Surveyors. Members of these professions are required to be licensed with in the State of Alaska, these licenses can now be renewed online.
- The Division of Banking, Securities and Corporations staff to develop a system that is used to assist the staff with the regulation of banks within the state. The system improves the staffs ability to charter, license and supervisor these institutions.
- The Division of Insurance to develop the systems necessary to send and receive data from the National Association of Insurance Commissioners, NAIC. The NAIC coordinates information transfers and develops standards and model legislation for state's and the insurance industry. The transfer of this data will allow other states and insurance companies to see which Alaskan's are licensed within the state and will allow non-residents to apply for insurance licenses in Alaska through a centralized location.

The DP staff developed, improved and implemented a variety of data search and retrieval systems that provide access to public information over the Internet. These include the Business License Database, Occupational License Database, Insurance Producers Database, Corporations and Trademark Databases as well as others.

Statutory and Regulatory Authority

AS 44.33.010-020 Administrative Services

Administrative Services

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	1,872.3	2,054.8	2,225.0
72000 Travel	25.6	17.5	17.5
73000 Contractual	153.2	210.4	110.4
74000 Supplies	26.5	28.1	28.1
75000 Equipment	34.3	1.7	1.7
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	2,111.9	2,312.5	2,382.7
Funding Sources:			
1004 General Fund Receipts	1,265.3	1,269.6	1,311.3
1007 Inter-Agency Receipts	846.6	1,042.9	1,071.4
Funding Totals	2,111.9	2,312.5	2,382.7

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
<u>Unrestricted Revenues</u>						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
<u>Restricted Revenues</u>						
Interagency Receipts	51015	846.6	1,042.9	1,037.2	1,071.4	1,071.4
Restricted Total		846.6	1,042.9	1,037.2	1,071.4	1,071.4
Total Estimated Revenues		846.6	1,042.9	1,037.2	1,071.4	1,071.4

Administrative Services
Proposed Changes in Levels of Service for FY2003

None.

Summary of Component Budget Changes
From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	1,269.6	0.0	1,042.9	2,312.5
Adjustments which will continue current level of service:				
-Cost Allocation I/A correction ADN 0820059	0.0	0.0	-5.7	-5.7
-Year 3 Labor Costs - Net Change from FY2002	41.7	0.0	34.2	75.9
FY2003 Governor	1,311.3	0.0	1,071.4	2,382.7

Administrative Services

Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	37	37	Annual Salaries	1,696,072
Part-time	0	0	COLA	43,991
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	616,174
			<i>Less 5.57% Vacancy Factor</i>	(131,237)
			Lump Sum Premium Pay	0
Totals	37	37	Total Personal Services	2,225,000

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant III	0	0	2	0	2
Accountant V	0	0	1	0	1
Accounting Tech I	1	0	2	0	3
Accounting Tech II	0	0	3	0	3
Accounting Tech III	0	0	1	0	1
Administrative Assistant	0	0	1	0	1
Administrative Clerk II	1	0	0	0	1
Administrative Clerk III	0	0	1	0	1
Analyst/Programmer IV	0	0	2	0	2
Data Processing Mgr III	0	0	1	0	1
Division Director	0	0	1	0	1
Human Resources Mgr II	0	0	1	0	1
Mail Svcs Courier	0	0	1	0	1
Micro/Network Spec I	1	0	1	0	2
Micro/Network Tech II	2	0	1	0	3
Personnel Asst I	0	0	2	0	2
Personnel Officer I	1	0	0	0	1
Personnel Specialist I	0	0	2	0	2
Procurement Spec II	0	0	1	0	1
Procurement Spec III	0	0	1	0	1
Procurement Spec IV	0	0	1	0	1
Program Budget Analyst III	0	0	1	0	1
Publications Spec II	0	0	2	0	2
Supply Technician II	0	0	1	0	1
Systems Programmer III	0	0	1	0	1
Totals	6	0	31	0	37

Community Assistance & Economic Development Budget Request Unit

Contact: Tom Lawson, Administrative Services Director

Tel: (907) 465-2506 **Fax:** (907) 465-2563 **E-mail:** Tom_Lawson@dced.state.ak.us

BRU Mission

The mission of the Division of Community and Business Development (CBD) is to promote independent local governments and job growth.

The mission of the Division of International Trade and Market Development (ITMD) is to increase international trade and investment in Alaska.

BRU Services Provided

See components.

BRU Goals and Strategies

See components

Key BRU Issues for FY2002 – 2003

See components.

Major BRU Accomplishments in 2001

See Components.

Key Performance Measures for FY2003

Measure:

The change in the number of communities successfully managing new sewer and water systems.
Sec 24(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Completed or virtually completed 91 rural systems since efforts began in the 1960's to build such systems. Of these, 5 were completed in FY 01.

The FY02 Key Performance Measure stated that completed systems totaled 96. The reason for the discrepancy in the completed systems is due to new data collection and reporting methods. This data was not collected until 2000 when DEC and the Alaska Native Tribal Health consortium began collection efforts. Last year the data was still preliminary when budget submissions were due. Since then the data has been revised and in 2000 there were 86 completed systems.

Twenty-nine utilities are not considered to be successful. One of the systems completed in FY01 is not considered successful. These 29 utilities have been identified as chronic violators of environmental regulations related to the operation of water and wastewater systems.

FY03 target: 96 communities completed, 27 not considered successful.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

Released December 15th
12/18/2001 3:08

FY2003 Governor
Department of Community & Economic Development

Time frame for measurement is FY 01.

New water and sewer systems - defined as a sanitation project completed, where the project supplies 90% or more of the year-round occupied households with plumbed water and wastewater served via pipes or haul vehicles. Source of data: Alaska Native Tribal Health Consortium, DEC's Facility Construction and Operation Division.

Successfully manages - defined as operating without major interruption of service and without substantial violations of water quality, waste discharge and environmental regulations for more than one quarter. Source of data: EPA issued Substantial Noncompliance List.

Measure:

The change in the number of Alaskans employed year-round in the visitor industry.
Sec 24(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

A 1999 update of the Alaska Visitor Industry Economic Impact Study indicated that one in eight private sector workers are now employed in the visitor industry in Alaska. Alaska's visitor industry directly and indirectly accounts for approximately 30,700 jobs (20,300 direct employment; 10,400 indirect employment).

Updated information is expected to be available in 2002.

FY03 target: The division expects the number of tourism related jobs to meet or exceed the number of jobs in FY02. It is difficult to predict at this point due to the changes in national security, which will impact the tourism industry.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

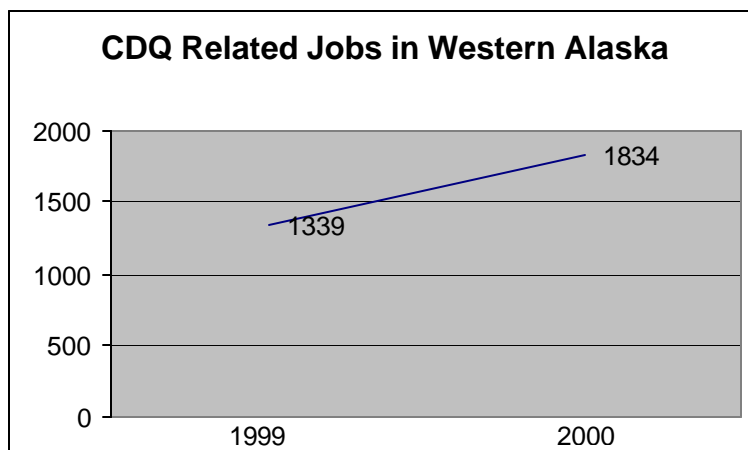
Data is being gathered through the Alaska Visitors Statistics Program administered by the Division of Community and Business Development. Tourism industry employment data is not easily discernable through the Standard Industrial Classification (SIC) system utilized by the Department of Labor and Workforce Development.

Measure:

The change in the number of CDQ-related (community development quota related) jobs in Western Alaska.
Sec 24(b)(3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

There were 1834 CDQ related jobs created in 2000, an increase from 1339 in 1999. The employment include positions on offshore factory trawlers, onshore processing plants, CDQ halibut and salmon plants, local halibut fisheries, and various management and administrative jobs within the six CDQ groups.



FY03 target: The division expects the number of seafood industry jobs in the CDQ program to increase again in FY03 primarily due to increasing CDQ ownership in groundfishing vessels. In addition, better recruitment and placement of employees by the CDQ groups in the processing and harvesting sectors and in administrative and management positions within the groups themselves, have made more employment opportunities available for residents in western Alaska.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

The data for this Measure was taken from the 2000 CDQ Quarterly Reports.

Measure:

The number of communities that dissolve.

Sec 24(b)(4) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

No petitions for dissolutions were filed in FY01. This performance measure is not conducive to establishing a target goal.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

Information for this measure comes from petitions for dissolution from municipalities. The term municipal government as opposed to community should be used in this measure because the division does not have the same constitutional and statutory charge to "advise and assist" unincorporated communities as is mandated for municipal governments. Also, an unincorporated community receives no Safe Communities entitlement and its State Revenue Sharing entitlement is so minimal, creditors rarely bother effecting a levy against it.

Measure:

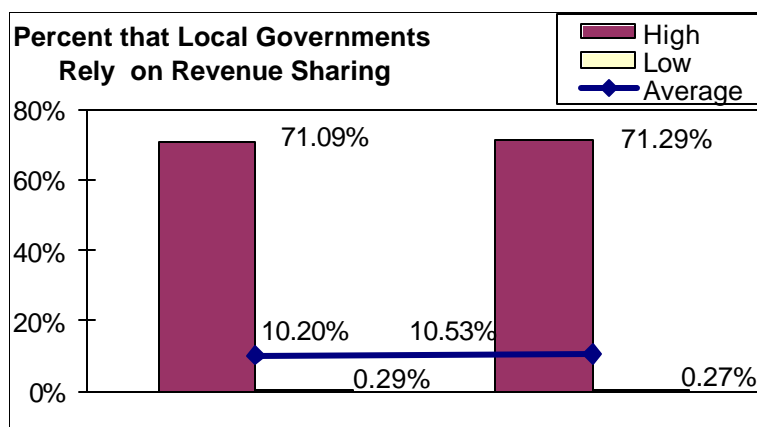
How much, expressed as a percentage, local governments rely on revenue sharing in their general operating budgets.

Sec 24(b)(5) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The average percentage calculated is 10.53%. There were 161 local governments with a range from 71.09% to .29%. In FY01 the average percentage was 10.2%. There were 161 local governments with a range from 71.29% to .27%.

This performance measure is not conducive to establishing a target goal. While it is a Department goal that local governments become more self-sufficient through increased local revenue generation, the percentage local governments rely on revenue sharing in their operating budgets can be impacted in several ways not related to the Department's efforts in this area. For example, the level of revenue sharing funding appropriated by the Legislature and local government operating revenues received by other State agencies or the Federal Government has a direct effect on the annual percentage rates.



A listing of the governments and the percentages and figures used in the calculations is available upon request from the Division of Community and Business Development.

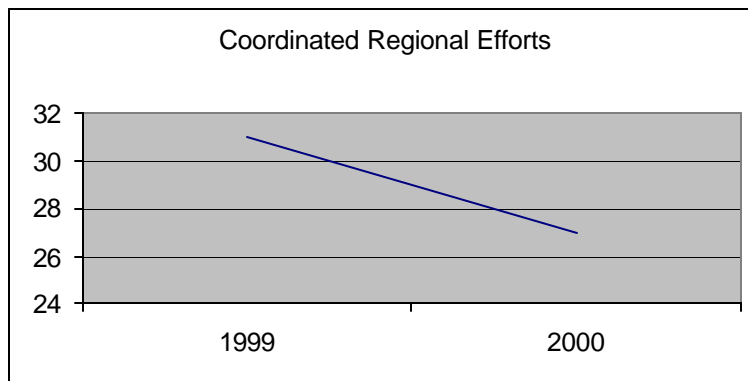
Measure:

The number of coordinated regional efforts resulting in the creation of new business opportunities.

Sec 24(d)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

There were 27 coordinated regional efforts within the Alaska Regional Development Organizations (ARDORs) resulting in creation of new business opportunities. In FY00, the first year of the measure, there were 31 coordinated regional efforts.



FY03 target: There will be 30 coordinated regional efforts resulting in creation of new business opportunities.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

The information in this Performance Measure was taken from the January 2001 ARDOR Annual Report. This area for the ARDOR program looks like it went down this year. The reason the numbers are lower is that two ARDORs (Anchorage and SWAMC) have not yet reported this information.

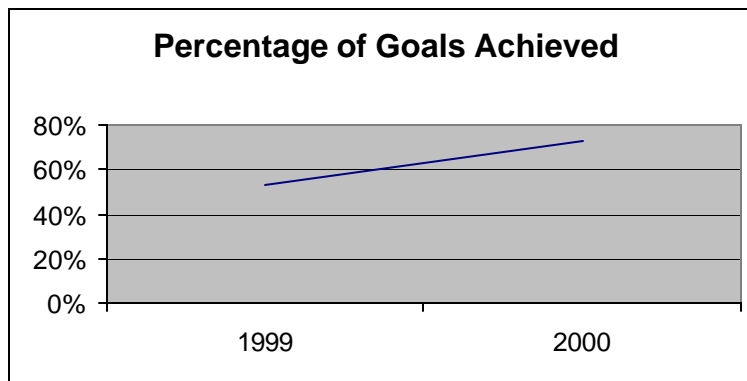
Measure:

The percentage of goals identified through regional processes that are achieved.

Sec 24(d)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The percentage of goals identified through regional processes that are achieved is an average of 73%. Figures taken from the Alaska Regional Development Organization FY02 grant application. The percentage report was derived by dividing the number of goals accomplished during the year by the number of goals identified at the beginning of the year. The percentage of goals from the FY01 grant applications is an average of 53%, the first year of the measure.



FY03 target: The percentage of goals identified through regional processes that are achieved will be an average of 75%.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

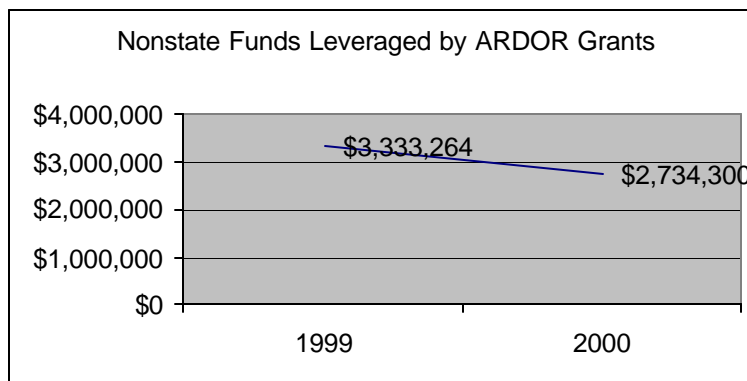
The information in this Performance Measure was taken from the ARDOR grant applications. The goals used in the calculation are the grantees' goals.

Measure:

The change in the amount of nonstate funds leveraged by ARDOR grants.
Sec 24(d)(3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The amount of nonstate funds leveraged by the FY02 ARDOR grants is \$2,734,300, a decrease from \$3,333,264 from FY01 (FY01 was the first year of the measure).



FY03 target: The amount of nonstate funds leveraged by the FY03 ARDOR grants will increase 10% from FY02.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

The information in this Performance Measure was taken from the ARDOR FY02 grant applications. . This area for the ARDOR program looks like it went down this year. The reason the numbers are lower is that two ARDORs (Anchorage and SWAMC) have not yet reported this information. SWAMC hasn't applied for the FY02 grant.

Measure:

The cost per trade lead in international trade and development.
Sec 25(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

No baseline number as yet. This is a new measure approved by the 22nd Legislature. Based on performance measure approved by the 21st Legislature, the division began in FY01 to maintain records quantifying the number of trade leads distributed to Alaska exporters, overseas buyers, film community, and other Alaska businesses. The division is currently developing an effective method of allocating costs specifically associated with the collection and dissemination of leads.

Benchmark Comparisons:

A comparison between Alaska and other states will be problematic. According to the two leading national organizations supporting international trade and economic development (NASDA and SIDO) for the states, comparative data is neither collected nor reported.

Background and Strategies:

Handling of leads is one of many activities performed by the division. The division's in-state trade specialists and overseas trade representatives work closely with Alaska and overseas companies to identify and pursue opportunities for trade and development.

- Strive to increase number of leads and qualify leads for appropriateness and potential, while working to contain cost.
- Distribute leads to appropriate Alaska and overseas businesses.
- Identify and help Alaska companies to pursue new export opportunities.
- Participate in special promotions and presentations, trade shows and seminars to raise the visibility of Alaska as a potential source for products and services, and a good place to do business.
- Educate potential customers overseas about what Alaska has to offer, through efforts of overseas trade representatives in Japan, Korea, Taiwan and the Russian Far East.
- Organize and conduct trade missions, inbound and outbound, to introduce buyers in key markets to Alaska sellers.

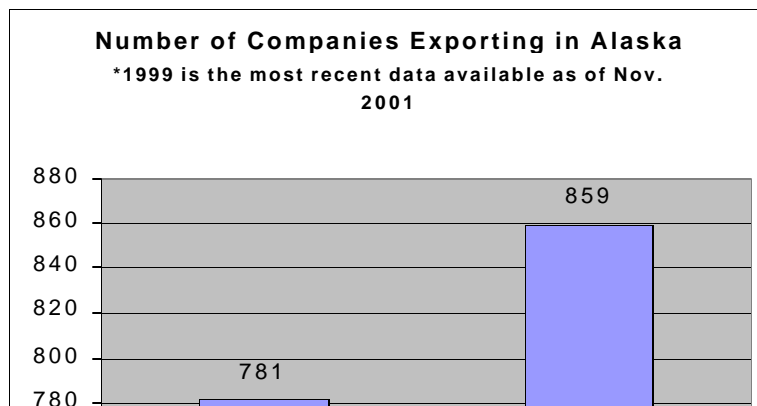
Measure:

The increase in the number of Alaska firms that export products and services.
Sec 25(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

According to the U.S. Department of Commerce ("A Profile of U.S. Exporting Companies, 1998-1999"), in 1999, the most recent year for which figures are available, the number of Alaska-based exporters was 859. This number represents a 10% increase from 1998.

Target proposal: Meet or exceed the national rate of growth of the number of exporting companies.



During the 1998 to 1999 period, the national rate of growth of the number of exporting companies was 7.5%, based on information collected and reported by the U.S. Department of Commerce.

Background and Strategies:

Diversifying markets is beneficial to Alaska companies and Alaska's economy. The division assists export-ready companies to begin and expand export markets.

- Provide trade information and services to export-ready Alaska companies.
- Assist smaller and new-to-export firms to "test the waters" overseas through relatively inexpensive means such as Alaska Products Catalogs distributed to trade groups, and shared Alaska booths at targeted trade shows.
- With private sector interest and support, organize and conduct trade missions matching industries with potential markets to expand sales in current markets and develop new markets.

Measure:

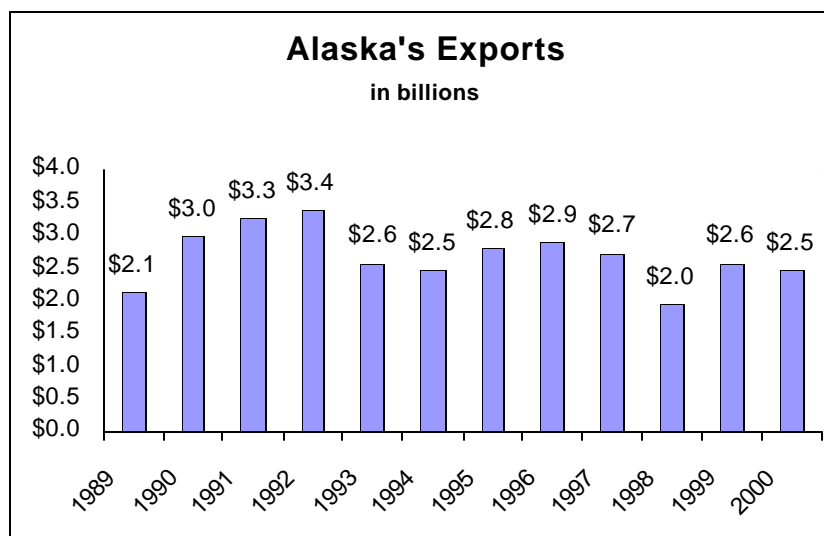
The change in the dollar value of exports from the state.

Sec 24(d)(3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The dollar value of goods exported from Alaska totaled \$2.5 billion in 2000, a decrease of 3.9% from 1999*. (*Decrease due to change in destination of North Slope Crude, now being shipped to U.S. West Coast refineries. Not counting crude oil, Alaska's exports increased 5.5% in 2000.)

Target level proposed: Meet or exceed the national growth rate of exports.



Benchmark Comparisons:

Based on information collected and reported by the U.S. Department of Commerce Census Bureau, the change in the dollar value of Alaska exports can be compared with the change in the dollar value of exports from other states.

Figures are derived from Export Statistics, State of Origin series. U.S. exports increased 12.6% in 2000.

Background and Strategies:

The state's export industries continue to benefit from Alaska's trade presence in key overseas markets. The division assists Alaska companies and industries to export:

- Provide information and assistance to help Alaska companies initiate or expand export business activities.
- Research potential niche-market opportunities for value-added Alaska products. Identify potential buyers in promising markets, and introduce them to Alaska suppliers.
- Keep Alaskans informed about key markets through periodic newsletters and special reports.
- Promote exports to Alaska's key markets - Japan, Korea, Canada, China, Taiwan, and the Russian Far East.

- Focus on Alaska's key markets by contracting for trade representation in Tokyo, Seoul, Taipei and Sakhalin. Overseas trade representatives maintain contacts with key officials in private sector and government, promote Alaska products and services, and provide timely, useful market information to Alaskans.
- Utilize overseas trade representatives to extend the effectiveness of Alaska companies overseas - provide market research on specific goods and services, and assist Alaskans to make contact with buyers.

Community Assistance & Economic Development

BRU Financial Summary by Component

All dollars in thousands

	General Funds	FY2001 Actuals Federal Funds	Other Funds	Total Funds	General Funds	FY2002 Authorized Federal Funds	Other Funds	Total Funds	General Funds	FY2003 Governor Federal Funds	Other Funds	Total Funds
Formula Expenditures												
None.												
Non-Formula Expenditures												
Community & Business Development	4,271.4	1,773.2	2,840.1	8,884.7	4,268.1	1,372.6	2,973.5	8,614.2	4,838.3	1,405.4	2,921.9	9,165.6
Int'l Trade and Market Dev	0.0	0.0	0.0	0.0	1,474.0	0.0	628.6	2,102.6	1,592.7	0.0	516.4	2,109.1
Totals	4,271.4	1,773.2	2,840.1	8,884.7	5,742.1	1,372.6	3,602.1	10,716.8	6,431.0	1,405.4	3,438.3	11,274.7

Community Assistance & Economic Development
Proposed Changes in Levels of Service for FY2003

See components.

Community Assistance & Economic Development
Summary of BRU Budget Changes by Component
From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	5,742.1	1,372.6	3,602.1	10,716.8
Adjustments which will continue current level of service:				
-Community & Business Development	220.2	32.8	-126.6	126.4
-Int'l Trade and Market Dev	28.7	0.0	0.0	28.7
Proposed budget decreases:				
-Int'l Trade and Market Dev	0.0	0.0	-112.2	-112.2
Proposed budget increases:				
-Community & Business Development	350.0	0.0	75.0	425.0
-Int'l Trade and Market Dev	90.0	0.0	0.0	90.0
FY2003 Governor	6,431.0	1,405.4	3,438.3	11,274.7

Component: Community and Business Development

Contact: Pat Poland, Director

Tel: (907) 269-4580 **Fax:** (907) 269-4539 **E-mail:** Pat_Poland@dced.state.ak.us

Component Mission

The mission of the Division of Community and Business Development (CBD) is to promote independent local governments and job growth.

Component Services Provided

1. General Local Government Assistance. Advice and assistance related to public service delivery, financial management, elections, ordinance development, and newly elected officials training.
2. Rural Utility Business Advisor (RUBA). Business, finance, personnel and general management assistance to governments and local organizations responsible for operating sewer and water utilities in rural Alaska.
3. Community Development Quota (CDQ). Assist western Alaska communities with their participation in the CDQ Program, a fisheries development initiative.
4. Coordinated Response Projects. Assistance to communities experiencing sudden economic dislocation as a result of major economic disruptions.
5. Land Management Assistance. Site control, Municipal Lands Trust program and mapping services
6. Community Planning. The Alaska Coastal Management Program and the National Flood Insurance Program.
7. State Assessor's Office. Advice and assistance for municipalities on assessment and taxation issues, local property full and true value determinations and monitoring of local assessment practices for compliance with state law.
8. Local Boundary Commission. Analysis and recommendations regarding municipal boundary changes and incorporations, administrative and technical support for the Commission's activities.
9. Business Development. Assist Alaska's developing businesses to grow and diversify.
10. Resource Use Policy. Work with public and private sectors on development of natural resource allocation policies
11. Resource Products. Provide technical assistance, resources support and value-added products.
12. Community Economic Development. Promote economic development at the community level through technical assistance.
13. Tourism Marketing. Continue to manage the state's statewide tourism marketing contract with a qualified trade association. For the second year of the contract, identify components of a statewide tourism marketing plan, approve the plan and oversee its implementation.
14. Tourism Development. Foster tourism business development through improved land use planning and permitting, and better transportation access to developing visitor attractions and destinations.
15. Tourism Information. Provide tourism and trip planning information services to travelers at the Alaska Public Lands Information Center (APLIC) located in Tok.

Component Goals and Strategies

INCREASE THE CAPACITY OF LOCAL GOVERNMENT TO EFFECTIVELY PROVIDE ESSENTIAL PUBLIC SERVICES

- Provide communities training and on-site technical assistance.
- Help local governments implement new National Flood Insurance Program requirements.
- Develop handbooks, technical publications and Internet resources.
- Provide direct service to the division's clients through the division's network of regional offices.

HELP RURAL COMMUNITIES MEET THE CHALLENGE OF MANAGING AND OPERATING EFFECTIVE AND EFFICIENT SANITATION FACILITIES

- Assist local governments in their analysis of the ability to pay issues prior to the selection of sanitation system designs.
- Help local governments develop appropriate fee structures and collection procedures to promote self-sufficiency for local utilities.
- Develop debt reduction plans for local governments faced with substantial debts.
- Provide payroll, bookkeeping and accounting training for city staff.
- Provide management advice on structuring local organizations to operate and manage sanitation utility services.
- Provide training on planning, personnel management, public relations and general administration of sanitation

utilities.

ENSURE THAT RESIDENTS OF SMALL RURAL COMMUNITIES IN WESTERN ALASKA GET THE MAXIMUM BENEFITS FROM THEIR PARTICIPATION IN THE CDQ PROGRAM Work with CDQ groups to equitably allocate the multi-species quotas.

- Work with CDQ groups to maximize local opportunities arising from passage of the American Fisheries Act. Several large investments are expected and will involve extensive CDQ staff analysis and CDQ Team participation.
- Respond to specific recommendations of a National Academy of Sciences Report on the implementation of the CDQ Program.

FACILITATE COORDINATED RESPONSES TO MAJOR ECONOMIC DISLOCATIONS AS THEY OCCUR

- Participate in the development and maintenance of a computer-based database of the efforts and results of previous responses; a series of regional economic profiles; and an inventory of available response resources.

ENSURE THAT THE LOCAL BOUNDARY COMMISSION HAS THE SUPPORT NEEDED TO OPERATE IN AN EFFECTIVE AND TIMELY MANNER

- Provide feasibility and policy analysis as required.
- Review and investigate proposals.
- Prepare reports and recommendations.
- Implement decisions of the Commission.

PROVIDE TECHNICAL ASSISTANCE TO MUNICIPALITIES AND OTHERS REGARDING LOCAL BOUNDARY COMMISSION MATTERS

- Provide petition forms, sample petitions, other sample materials, and publications to aid those interested in prospective & pending proposals.
- Conduct public informational meetings.
- Offer technical and policy advice to interested organizations.

PROVIDE COMPREHENSIVE AND ACCURATE INFORMATION FOR ALL ALASKA COMMUNITIES

- Expand current community database/web site to include additional community data elements.
- Develop new "Alaskan Economic Information System" database/web site focusing on regional economies and industrial sectors.
- Develop new "Alaska Tourism Visitors Survey" database/web site.
- Support the Denali Commission by expanding the Rural Projects database and online Economic Development Resource Guide to meet the Commission's rural development needs.
- Provide technical and analytical support for the state's Western Alaska fisheries disaster response.

IMPROVE THE DELIVERY AND COORDINATION OF STATE SERVICES TO ALASKA SMALL BUSINESSES

- Simplify access for Alaska businesses to small business assistance and resources.
- Organize and deliver procurement opportunities conference.
- Increase coordination among state-funded small business programs.
- Provide advocacy and support for Alaska's existing businesses.

ASSIST THE SEAFOOD INDUSTRY IN IDENTIFYING AND PURSUING OPPORTUNITIES

- Monitor current trends and conditions in domestic and foreign markets.
- Assist in the research and development of value-added and niche markets.
- Provide timely and easily accessible information (business leads, reports, names of contacts, etc.) in a variety of formats (fax or email newsletters and updates, web site) about opportunities for Alaska products.

SUPPORT CONTINUED EXPANSION OF THE MINERALS INDUSTRY

- Participate in at least three minerals trade shows in North America to provide international mining companies with information about opportunities for exploration and investment in Alaska.
- Publish an annual report, containing details on all mineral industry activities within the state, and use it as a marketing tool to generate more interest in Alaska's mining industry.
- Provide staff support for the Alaska Minerals Commission and publish the commission's annual report, as required by statute, with recommendations on solving industry problems and improving conditions.
- Update and distribute timely information about mineral industry activities in Alaska.

SERVE AS THE PRIMARY AGENCY FOR AND COORDINATION OF THE STATE'S TOURISM PLANNING AND DEVELOPMENT EFFORTS

- Provide planning assistance to individuals, communities, organizations, and businesses interested in tourism development or management.
- Facilitate cooperative planning and land management processes statewide between state and federal land managers.
- Actively participate in other agency planning processes to ensure that tourism related issues are considered and addressed, and encourage coordinated planning by adjacent land management agencies.
- Be the lead agency for the coordination of the Public Lands Forum.
- Develop online (and hardcopy) guidelines for communities, organizations and business tourism development.
- Maintain a repository of state documents, books and other reference materials for tourism development.
- Compile and distribute visitor research.

PROMOTE COMMUNITY ECONOMIC DEVELOPMENT

- Provide technical support for community infrastructure development (or improvement) critical to economic development.
- Provide technical and financial support for community infrastructure critical to economic development and for small business startup.
- Provide information regarding potential funding sources (inclusive of grant and loan programs) for tourism development.

ASSIST COMMUNITIES STATEWIDE WITH THE PLANNING AND DEVELOPMENT OF PUBLIC TOURISM PROJECTS

- Coordinate with local, state, federal agencies and Native corporations regarding permitting of businesses on state and federal lands.
- Increase wildlife viewing opportunities on public lands, including South Denali and Wrangell National Parks.
- Coordinate the Alaska Public Lands Forum with other state and federal agencies as partners.

ASSIST COMMUNITIES WITH THE PLANNING AND DEVELOPMENT OF TOURISM-RELATED TRANSPORTATION

- Work with state and federal transportation agencies to review, analyze and evaluate potential and planned transportation and transportation enhancement projects that improve access and visitor opportunities in Alaska.
- Provide technical assistance to communities and state and federal transportation agencies regarding use of TEA-21 enhancement funds for tourism related projects, visitor centers and visitor information systems, rest stops, trails and other access enhancements.

DEVELOP TOUR PRODUCT AND TOUR SERVICES NECESSARY TO INCREASE ALASKA VISITATION ON A YEAR-ROUND BASIS

- Secure year-round, non-stop air service between Japan and Alaska, as well as with other potential markets such as the United Kingdom.
- Conduct consultations, face-to-face as well as via e-mail and phone, to assist individuals, companies and corporations with their efforts to develop (or enhance) Alaska tour product.
- Develop inventory of Alaska tour product; assist with packaging through tour operators/wholesalers (worldwide).
- Assist individuals, communities, organizations and businesses with showcasing special events and activities such as the Iditarod, Yukon Quest and skiing/snowmobile tours, by helping to develop complimentary tour product.
- Provide highway travelers with information about opportunities along the road system through the official state map and other materials.
- Continue staffing of and improvements to the Alaska Public Lands Information Center (APLIC) in Tok.

INCREASE RURAL AND CULTURAL TOUR PRODUCT

- Conduct rural tourism development workshops to provide technical assistance to individuals, communities, organizations and businesses to assist them in developing tour product, as well as understanding distribution systems for it.
- Develop the Alaska Cultural Tourism Trail, modules of cultural heritage or arts-related tour product for inclusion in tour operator/wholesaler programs.
- Coordinate the Governor's Conference on Cultural Tourism.

INCREASE BENEFITS FOR VISITORS COMING TO OR TRAVELING WITHIN THE STATE

- Contract with a qualified trade association for marketing services to increase awareness of Alaska as a visitor destination.
- With the qualified trade association, respond to visitor requests for adequate trip planning information.

- Maintain the Tok APLIC to provide statewide visitor information to visitors already in the state.

Key Component Issues for FY2002 – 2003

Functional Capacity of Many Local Governments Threatened - Many cities in Alaska are struggling to maintain basic services. This is especially true for some of the smaller municipalities that may have only several hundred residents and a very limited tax base. This situation threatens the state's investment in essential community facilities and poses a threat to the health and well being of Alaska's residents. The division is addressing this issue on a number of fronts:

- **Significant decline in state financial assistance to communities** - There are more than 40 smaller municipalities in Alaska that rely on state shared revenue for over 30% of their operating budget. Over the last 15 years, the state's two major revenue sharing programs have been cut by more than 85%. The division works closely with cities to maximize the effectiveness of these funds. Division staff have also been working with the Legislature to explore modified revenue sharing programs that could limit the impact of cuts on the most financially vulnerable cities.
- **Lack of financial management and local government skills** - The division works with city staff and elected officials to develop the skills they need to perform their responsibilities. The division helps cities establish and maintain sound financial practices, thereby preventing the loss of hundreds of thousands of dollars each year.
- **Limited local tax base or economy** - The division's Local Government Specialists work with cities to identify sources of local revenue and provide advice on how to most effectively use these limited resources.
- **Frequent city staff turnover** - Low wages, part-time work, no training, and lack of consistent policies and procedures are a few of the reasons for staff turnover. Staff turnover reduces efficiency, interrupts services, and leads to ineffective use of available revenues. The division addresses this issue with on-site and regional training and with advice and assistance to cities on essential policies and procedures.

Maintaining Sanitation Systems Essential to Rural Health - Adequate and affordable sanitation systems are critical for the health of rural residents and critical for the development of rural communities. State and federal sanitation task forces have concluded that capital investments alone will not achieve long-term improvements in sanitation. Many communities currently lack the resources and training to successfully operate and maintain their utilities. The division's Rural Utility Business Advisor (RUBA) program addresses this issue in four ways:

- **Needs Assessments:** Division staff complete an assessment of a community's management of its water and sewer utility. Corrective action is recommended and assistance is provided.
- **Training:** Staff provides on-site training specific to the utility management needs of a community and provides general regional training that benefits all the communities attending utility management workshops.
- **Rates studies:** Staff work with cities to set utility rates sufficient to cover operational costs as well as future operation and maintenance expenses.
- **Financial management systems:** Staff helps cities establish sound financial management systems and practices for the operation of water and sewer utilities.

Local Governments Struggle to Adapt to Changing Fiscal Conditions - Alaskans are considering various ways to make their local governments more efficient and effective to better suit local needs. Indicators of this situation include:

- **Interest in city/borough consolidation.** Division staff processed two petitions to the Local Boundary Commission for consolidation of major city and borough governments (Fairbanks and Ketchikan). A third city/borough consolidation proposal is pending (Haines).
- **Interest in detachment of Eagle River from the Municipality of Anchorage persists.**
- **Residents of the Hoonah/Gustavus area have expressed interest in borough incorporation.**
- **A petition for dissolution of the City of Skagway and formation of a Skagway Borough is pending.**
- **Interest in dissolution of City governments and a movement towards transfer of City assets to tribal governments continues.** This continues to raise a number of questions concerning the distribution of municipal property and the extent of tribal powers.

State Policies Concerning Local Government - There are a number of issues about state policy concerning local government in Alaska. Indicators of this situation include:

- **A call by the Alaska Municipal League for a review of municipal government involving the state, the municipalities, and the public to determine if state policies are consistent with the intent of the Alaska Constitution mandating maximum local self-government with a minimum of local government units.**
- **Support by the Alaska Municipal League for state policies that remove disincentives and encourage the formation and annexation to boroughs in the unorganized areas of the state and urge the legislature to take a more active role as the Assembly of the Unorganized Borough as mandated by the Constitution.**
- **Support by the Alaska Municipal League for voluntary contracting of State services to appropriate local governments when such action is cost effective and appropriate and accepted by the local government body.**

- Despite a recognized constitutional policy of encouraging borough incorporation, in the past forty years organized boroughs have formed voluntarily in regions encompassing only 4% of Alaskans. This is contrasted with boroughs formed under the 1963 Mandatory Borough Act in which 83% of Alaskans live. The remaining 13% of Alaskans live in the unorganized borough.
- Due in part to disincentives from certain state policies, the prospects for new borough incorporations under current law seem to be quite limited. Since 1990, only one borough has formed.

Need for Coordinated Agency Response to Community and Regional Assistance - The traditional model for community assistance, where agencies respond separately within their areas of expertise, has undergone considerable evolution as the state has lead efforts to respond to severe economic dislocations. To increase response effectiveness agencies at the state and federal level are taking steps to work cooperatively and coordinate the provision of services. From this may emerge a new approach to community assistance work, where the resources of several agencies are leveraged and/or coordinated to improve efficiency and quality in service delivery. A significant issue for this division will be to determine a programmatic role within this coordinated approach that is appropriate for our mission and achievable with available division resources.

Operation Renew Hope - In August, the Governor declared an economic disaster in the commercial salmon fisheries of the Yukon, Kuskokwim, Norton Sound, Bristol Bay, and Alaska Peninsula regions. In response to this disaster, the Operation Renew Hope will continue to pull together all the various state and federal programs that could respond to the short and long term disaster impacts under this organizational umbrella. The department's participation in this effort will result in continued responsibilities for division staff.

Implementation of Federal Fisheries Programs Will Impact Alaskans - The implementation of the federal American Fisheries Act (AFA) has economic and market repercussions for all of Alaska's ground fisheries, coastal communities and CDQ groups. Tracking and developing policy considerations to protect Alaska's fishing and processing interests has become a major focus for the State of Alaska, and, as such, involved the expertise of the Division's Fisheries Development Specialist. At the same time, many proposals to rationalize other fisheries are emerging, and for reasons similar to implementing the AFA, community and market concerns need to be integrated into the analysis and discussion.

Land Management Issues Affect Development - Public policy regarding the use of public and private lands can play a significant role in the success or failure of economic development initiatives. Examples include:

- Inconsistent management of public lands and tidelands in Southeast Alaska hinders commercial activities.
- Coordinated tourism planning efforts are hindered by a lack of information about commercial and private use of public lands.

Tourism Development in Rural Alaska - While offering promise, tourism development in rural Alaska faces significant problems and will require development assistance. Rural communities lack the staff and resources necessary to prepare for and attract tourism development in their communities. They are requesting information about the effects of tourism development, both positive and negative, that would allow community residents to make informed choices about development.

Alaska Economic Information System - Currently, information about Alaska's economy, labor force and industrial sectors is widely scattered among various agencies and organizations. The Alaska Economic Information System (AEIS) has been developed and is designed to provide user-friendly access to all this information at a one-stop portal on the Web. The initial AEIS development was funded with a one time grant but additional funds are necessary to keep the system current.

State Assessor's Office - As a result of an increasing work load, the State Assessor is not able to review the property assessment practices used by municipalities on a timely basis. The State Assessor's review of local assessment practices is critical to assuring the integrity of the Full and True Value Determination (FTVD) that is made for property in each municipality. The State Assessor's Full and True Value Determination serves as the State's independent assessment of the full and true value of all taxable property within a given locality.

- The FTVD is an important factor in determining a locality's entitlement under several State financial assistance programs. Financial assistance for municipal school districts is probably the most significant program that uses the FTVD to determine a municipality's entitlement. The inaccurate FTVDs result in incorrect and inequitable payments to municipalities.
- Because of continuing fiscal pressures, many municipalities feel a need to maximize their efforts to obtain state financial assistance. One of the results of these local fiscal pressures has been an increase in localities "pushing

the envelope” of acceptable assessment practices. This new position will provide support to the State Assessor, which will enable thorough and timely review of local assessment practices and property value determinations. This in turn will insure that all municipal school districts receive the amount of funding to which they are entitled.

Fisheries Development - The Division currently has one full-time development specialist working on fisheries issues. Projects such as salmon industry revitalization, new fisheries development, groundfish industry issues and implementation of seafood in USDA programs are a portion of the projects that need staff attention. Current duties run the spectrum of economic issues, projects and crisis with Alaska's fisheries and another development specialist is needed to keep up with those duties.

Major Component Accomplishments in 2001

The CDQ Program no longer relies on General Fund monies. During the 2000 session, legislation was signed into law creating a CDQ fee and authorizing program receipt authority to pay for the \$250,000 associated with administering the program. On July 1, 2000, CDQ groups began paying the department a pro rata share of the cost.

CDQ Multi-Species Program. The department, in conjunction with the Department of Fish & Game, conducted the first ever multi-species allocation process during the fall of 2000. All quota including groundfish, halibut and crab species were allocated during the two-year Community Development Plan (CDP) cycle of 2001-2002. The North Pacific Fishery Management Council passed a motion in support of the state's recommendation, which were approved by the National Marine Fisheries Service (NMFS) in February of 2001.

Streamlining CDQ Process. The department worked with the National Marine Fisheries Service and CDQ groups to streamline the CDQ regulatory process. In recognition of the increasing maturity of the groups and the need for flexibility in making business decisions, the State and NMFS agreed to work with the CDQ groups to explore ways to reduce state and federal regulations required for CDP plan amendments.

Working Towards Obtaining Organic Labeling for Alaska Seafood. The Division continues to work with industry, federal agencies, and the state to promote the development of organic certification standards for aquatic species.

Targeted Additional Funds for Seafood Quality and Technology. Staff worked with the Fisheries Industrial Technology Center in Kodiak to identify ten projects qualified for a special federal appropriation. These projects provide new opportunities for improving the quality and product mix of Alaska seafood.

Promoted Value Added Processing of Alaska Salmon. Division staff helped secure funding for a value-added salmon marketing grant. These funds were provided through a special congressional appropriation that will provide grants for direct marketing by fishermen and processors who have a market-accepted value-added salmon product.

Alaska Economic Information System. Researched and prepared economic sector profiles for the Alaska Economic Information System. The profiles are a compilation and analysis of data and information that identify resource and development opportunities and issues in the state's 27 census areas.

Tourism Planning and Development Efforts. Direct community and regional support includes workshops and consultations statewide. Participated in the numerous state and federal land planning processes to ensure that issues, concerns and development objectives of businesses and nearby communities are addressed. Provided technical assistance for tourism planning, product development, marketing, community and infrastructure planning and held tourism workshops in several communities throughout the State.

Tourism Marketing Review. Review of the Alaska Travel Industry Association's (ATIA) marketing plans, budgets and contracts and participated in regular ATIA board and marketing meetings to ensure that state dollars are used most effectively and efficiently to promote Alaska.

Coordinated Federal-State Land Management. Prepared, conducted, analyzed and presented a survey of all commercial guides, outfitters, transporters and remote lodge owners in Southeast Alaska as part of a larger effort to promote consistent management of state and federal lands and waters in Southeast Alaska. Conducted joint meetings by the Forest Service, Alaska Department of Natural Resources and Alaska Department of Fish and Game to identify ways to coordinate planning and land management of federal uplands and state tidelands in Southeast Alaska.

Mining Industry and Commission Reports. Mineral development specialists completed the legislatively required annual report of the Alaska Minerals Commission, and the annual report compiling facts and figures about Alaska's mineral industry.

Promotion of Alaska's Mineral Potential. Promotion continued at trade shows in the financial centers of North America and through business and trade magazine articles and interviews. The mining specialists are participating in the permitting of two potential mines (True North and Pogo), and are providing a mining business perspective in interagency planning teams.

Funding for Critical Geologic Mapping of Alaska's Mineral Resources. The division's minerals development specialists worked with other agencies to secure federal funds for geologic mapping, airborne geophysical surveys, and baseline water quality surveys. This information is essential to attracting exploration activity.

New Mineral Company to Invest Exploration and Development Dollars in Alaska. Despite low gold prices the division helped attract new mineral exploration to Alaska. Alaska is seen to have a favorable mineral investment climate because of incentives, stable government and geologic pedigree, when compared with other countries.

Contractor Conferences Identified Opportunities. Division staff facilitated conferences to identify opportunities for construction contractors, including information about what to expect in the contracting year. These conferences followed successful procurement conferences that provided Alaska businesses information about how to do business with state agencies.

Active Year for Local Boundary Commission. Petitions were processed or are pending for consolidation of the City of Ketchikan and the Ketchikan Gateway Borough, consolidation of the City of Fairbanks and the Fairbanks North Star Borough, consolidation of the City of Haines and the Haines Borough, annexation to city governments in Homer and Wasilla, incorporation of a city governments in Talkeetna. A petition for concurrent dissolution of the City of Skagway and incorporation of the Skagway Borough was also received and is under review. Lastly, a comprehensive revision of Local Boundary Commission regulations was completed in 2001.

Alaska Regional Development Organization (ARDOR) Program Activity. Division staff awarded and managed \$620,000 in grant funds. The Kenai ARDOR placed three new businesses in their Business Incubator Center and assisted them in marketing and networking with other local businesses to create and expand market share. The Mat-Su ARDOR participated in business development for Port McKenzie which are now actively using the port. The Northwest Arctic Borough ARDOR, with funding from NANA corporation, set up a small business revolving loan program. The 30 current loans resulted in new or expanded business opportunities to Borough residents. The Southeast ARDOR partnered with other regional organizations to build an endowment fund with the University of Alaska, Southeast for scholarships for residents.

Improved Local Capacity for Financial Management. Significant improvements in the financial and management abilities of rural communities to operate, manage and finance services were observed in Shishmaref, Tanana, Chalkyitsik, Deering, Goodnews Bay, Hooper Bay, Kwethluk, Nunapitchuk, and Shaktoolik. These communities have been receiving direct assistance from the Division's Rural Utility Business Advisor (RUBA) Program. There are many aspects to improving a community's management and finance. These communities appear to be taking advantage of the resources provided through RUBA and other programs.

Upgraded Accounting Systems. In five communities, the division used private contractors to update financial accounting software and conduct training on the use of the accounting programs. These upgrades have provided an opportunity for the communities to produce accurate and timely financial reports in much less time and effort than their former manual accounting systems. Alakanuk, Selawik, Kaltag, Chalkyitsik and Chevak have received this service. In additions, program staff worked directly with the communities of Chalkyitsik, Deering, Diomed, Gambell, Hooper Bay, Mekoryuk, Stebbins, and White Mountain on implementing, upgrading or maintaining their use of a computerized accounting system.

Alakanuk Housing Relocated to Safety. The RUBA program facilitated the coordination of numerous state and federal agencies and local entities to relocate 22 houses from eroding riverbanks to a safe location provided with piped water and sewer. This year the houses have been placed on the prepared lots and are currently being connected to the city's utility system.

Land Claims Settled and Community Development Encouraged. Staff assisted the communities of Koliganek, Allakaket, Alatna, and Togiak with the settlement of local land claims. These land settlements will result in the Bureau of Land Management's surveying and platting of parcels of land that will be conveyed for primary places of residences, businesses, non-profits and land for community use. Staff also provided communities, agencies, contractors and the public with site control assistance and community mapping for sanitation facility planning, community infrastructure development and emergency and disaster response.

Land Made Available for Water, Sewer and other Community Projects. Real property acquisition was completed and long term leases of municipal trust land were issued for sanitation facilities and other community infrastructure. Types of projects include roads and a new landfill and sewage lagoon in Chignik Lagoon, a new landfill and bulk fuel storage in Chignik Lake, water treatment and storage facility in Nelson Lagoon, an access road in Igiugig, a new clinic and school in Pedro Bay and housing land in Takotna.

Public/Private Partnership Ventures Produce Community Maps. Division staff worked successfully to coordinate efforts with agencies and rural groups to produce standardized community profile maps for the public. Federally funded partnerships have been underway this year with the Interior Rivers Resource Conservation and Development Council, the Northwest Arctic Borough and the state's Village Safe Water Program.

Federal Block Grant Programs. Implemented a new Community Services Block Grant (CSBG) Program state plan without delay in receipt of funds. Successfully implemented new Federal reporting requirements for CSBG Program. Successfully distributed over \$3 million in Community Development Block Grant (CDBG) funds to 20 rural communities.

Mini-Grant Program Continues Major Funding Partnership. Received Denali Commission funding to compliment U.S. Forest Service Mini-Grant funds bringing the total available in grants to over \$600,000. Received and reviewed 100 Mini-Grant Applications. This year, this multi-agency partnership will fund approximately 20-30 new economic and community development projects.

Annual Clerks' Institute. Division staff worked with the Alaska Association of Municipal Clerks (AAMC) and their Institute director to provide training for a 4 1/2 day Institute. Approximately 80 clerks attended. The Institute helps municipal clerks satisfy the requirements of the International Institute of Municipal Clerks who offer internationally recognized certification as a municipal clerk.

Regional Funding Summit Held. Division staff helped facilitate several regional funding summits. USDA Rural Development and the Denali Commission also participated in these events. Funding issues and opportunities for community infrastructure and regional economic development were highlighted.

Community Priority Projects Program Established. The Division received a \$5 million grant from the Denali Commission to set up a new grant program. The program focuses on projects that are identified as priorities in local community plans and that are not, in general, funded by other grant programs. The program is to be considered a funding source of last resort.

Alaska Coastal Management Program Grants. Program staff awarded and managed more than \$1 million in grants funds. The Aleutians West CRSA, Cenaliulriit CRSA, and Ketchikan Gateway Borough were awarded funds to continue work on the updating of their coastal management plans and the City of Haines completed Phase 1 of a Waterfront Public Use Management Plan. The Municipality of Anchorage, Bristol Bay CRSA, Cenaliulriit CRSA, Kenai Peninsula Borough, North Slope Borough, and the City of Pelican completed public outreach projects that included developing coastal management web pages and a coastal awareness program for the students of the Pelican school.

Subsistence Restoration Grant Program. Staff administered these Exxon Valdez oil spill-related funds which are awarded to the nine unincorporated communities located within the spill area. Grants have been awarded for the purpose of enhancing and managing salmon runs, enhancing cultural and subsistence awareness and skills, and in support of oyster mariculture projects.

National Flood Insurance Program (NFIP). Assisted in reducing public and private sector losses and damage from flooding and erosion by providing technical assistance on floodplain development requirements and managing pass through grants to Fairbanks North Star Borough, Nome, Kotzebue, and Galena. Responded to the specific detailed need requests of Shishmaref, Newtok, Kotlik, Nome, Kenai Peninsula Borough, Mat-Su Borough, Anchorage, and to a lesser extent 10 other community assistance requests. Provided training at two statewide conferences - the Alaska Surveying & Mapping Conference, Alaska Coastal Management Conference, and regional workshops in Wasilla, Fairbanks and

Soldotna.

Statutory and Regulatory Authority

AS 29.04-06	Classification, Alteration of Municipalities;	
AS 39.05.060	Appointment, Qualification and Terms of LBC	
AS 44.33.810 - AS 44.33.828	Local Boundary Commission	
3 AAC 110.010 - 110.900	Local Boundary Commission Standards and General	Provisions
AS 44.47.150	Village land conveyed into trust.	
19 AAC 90.010 - 19 AAC 90.990	Municipal Trust Land	
AS 44.33.781	Alaska Coastal Management Program	
AS 44.33.026 - AS 44.33.895	Alaska Regional Development Organizations Program:	
AS 44.33.755	Municipal Lands Trust	
AS 44.33.115	Subsistence Grants:	
AS 44.33.020	Block Grants	
AS 44.33.020	National Flood Insurance Program	
AS 36.30.332-338	Alaska Product Preference	
AS 44.33	Economic Development	
AS 44.33.119	Division of Tourism	
AS 44.33.431	Alaska Minerals Commission	
AS 44.33.900	Alaska Forest Products Research and Marketing Program	
AS 44.99.100	Economic Development Policy	
AS 45.65.010-070	Made in Alaska Program	
5 AAC 39.198	Internal Waters Permits	

Community and Business Development

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	4,400.4	4,473.0	5,267.0
72000 Travel	425.4	358.7	418.0
73000 Contractual	1,044.4	1,548.8	1,293.8
74000 Supplies	98.6	76.6	83.0
75000 Equipment	162.8	7.5	38.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	2,753.1	2,149.6	2,065.8
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	8,884.7	8,614.2	9,165.6
Funding Sources:			
1002 Federal Receipts	1,773.2	1,372.6	1,405.4
1003 General Fund Match	608.2	607.9	617.2
1004 General Fund Receipts	3,233.7	3,639.9	4,200.8
1005 General Fund/Program Receipts	429.5	20.3	20.3
1007 Inter-Agency Receipts	2,232.3	2,259.9	2,118.6
1036 Commercial Fishing Loan Fund	0.0	0.0	75.0
1051 Rural Economic Development Loan Fund	99.8	0.0	0.0
1053 Investment Loss Trust Fund	63.6	0.0	0.0
1061 Capital Improvement Project Receipts	194.4	307.9	317.1
1108 Statutory Designated Program Receipts	0.0	40.0	40.0
1111 Fishermans Fund Income	0.0	115.0	115.0
1156 Receipt Supported Services	250.0	250.7	256.2
Funding Totals	8,884.7	8,614.2	9,165.6

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
Restricted Revenues						
Federal Receipts	51010	1,773.2	1,372.6	1,372.6	1,405.4	1,405.4
Interagency Receipts	51015	2,232.3	2,362.9	2,259.9	2,118.6	2,118.6
General Fund Program Receipts	51060	429.5	20.3	20.3	20.3	20.3
Statutory Designated Program Receipts	51063	0.0	40.0	40.0	40.0	40.0
Receipt Supported Services	51073	250.0	250.7	250.7	256.2	256.2
Commercial Fishing Loan Fund	51100	0.0	0.0	0.0	75.0	75.0

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Capital Improvement Project Receipts	51200	194.4	307.9	307.9	317.1	317.1
Rural Development Initiative Fund	51387	99.8	0.0	0.0	0.0	0.0
Investment Loss Trust Fund	51393	63.6	0.0	0.0	0.0	0.0
Fishermans Fund Income	51420	0.0	115.0	115.0	115.0	115.0
Restricted Total		5,042.8	4,469.4	4,366.4	4,347.6	4,347.6
Total Estimated Revenues		5,042.8	4,469.4	4,366.4	4,347.6	4,347.6

Community and Business Development

Proposed Changes in Levels of Service for FY2003

A general fund increment is requested to establish four new positions and related expenses for the Alaska Economic Information System (AEIS). The AEIS is designed to provide user-friendly access to all this information at a one-stop portal on the Web. This system will be a tremendous development resource for businesses, communities and individuals - saving them significant time and effort in collecting the information on which to base development plans. Users will be able to view a map of Alaska on line, click on a census area, and quickly get the picture of that area's basic economic industries such as tourism, oil and gas, mining, and seafood. Comprehensive information will also be provided for the critical infrastructure elements of transportation, energy, and utility sectors that support long-term viable economic development. Users will be able to "drill down" through the Web site to get to greater levels of detail about their specific areas of interest, including graphs and working spreadsheets that users can download to their own computers for further analysis. As a portal, the AEIS will also contain a host of links to other Web sites relevant to an understanding of the Alaska economy. The positions would be responsible for working with other state, federal and regional organizations to develop data and protocols to ensure that the information in the AEIS database is as up-to-date, accurate and comprehensive as possible, and to continually expand the information resources contained in the AEIS. Positions will also be responsible for developing detailed, sub-regional economic analyses of specific public policies or development projects.

A general fund increment for an assistant state assessor position and related expenses is requested to review the property assessment practices used by municipalities on a timely basis. The State Assessor's review of local assessment practices is critical to assuring the integrity of the Full and True Value Determination (FTVD) that is made for property in each municipality. The State Assessor's Full and True Value Determination serves as the State's independent assessment of the full and true value of all taxable property within a given locality.

An increment for a second fisheries development position and related expenses is requested to work on projects such as salmon industry revitalization, new fisheries development, groundfish industry issues and implementation of seafood in USDA programs. Funding would come from the Commercial Fishing Revolving Loan Fund.

When the Department of Community & Regional affairs merged with the Department of Community and Economic Development, DCRA brought with it a grant to Alaska Legal Services for low income client services. This was in the Commissioner's Office in DCRA and transferred to the new department in the same component. Since this grant is administered by the grants section in Community and Business Development Division, the authorization is being transferred to this component.

Summary of Component Budget Changes

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	4,268.1	1,372.6	2,973.5	8,614.2
Adjustments which will continue current level of service:				
-Fisheries Landing Tax to Fisheries Business Tax Component	0.0	0.0	-150.0	-150.0
-Alaska Legal Services Grant to Community and Business Development Component	125.0	0.0	0.0	125.0
-Year 3 Labor Costs - Net Change from FY2002	95.2	32.8	23.4	151.4
Proposed budget increases:				
-New Assistant State Assessor	75.0	0.0	0.0	75.0

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
position				
-Fisheries Development Position	0.0	0.0	75.0	75.0
-Alaska Economic Information System	275.0	0.0	0.0	275.0
FY2003 Governor	4,838.3	1,405.4	2,921.9	9,165.6

Community and Business Development

Personal Services Information

	Authorized Positions		Personal Services Costs	
	<u>FY2002</u> <u>Authorized</u>	<u>FY2003</u> <u>Governor</u>		
Full-time	66	77	Annual Salaries	4,131,525
Part-time	3	3	COLA	96,265
Nonpermanent	1	0	Premium Pay	0
			Annual Benefits	1,408,091
			Less 6.55% Vacancy Factor	(368,881)
			Lump Sum Premium Pay	0
Totals	70	80	Total Personal Services	5,267,000

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Assistant	1	0	1	0	2
Administrative Clerk I	0	0	0	3	3
Administrative Clerk II	1	0	2	0	3
Administrative Clerk III	1	1	2	1	5
Administrative Manager III	1	0	0	0	1
Asst State Assessor	1	0	0	0	1
Cartographer II	1	0	0	0	1
CDQ Manager	0	0	1	0	1
CDQ Specialist	0	0	1	0	1
Deputy Director	0	0	1	0	1
Dev Spec I, Option A	0	0	1	2	3
Dev Spec I, Option B	0	0	1	0	1
Dev Spec II, Option A	0	0	1	0	1
Dev Spec II, Option B	0	1	2	0	3
Division Director	1	0	0	0	1
Economist II	0	0	1	0	1
Economist III	0	0	1	0	1
Fishery Biologist III	0	0	1	0	1
Grants Administrator I	0	1	0	0	1
Grants Administrator II	0	1	4	0	5
Grants Administrator III	0	0	1	0	1
Lead Development Specialist	0	0	1	0	1
Local Govt Spec III	4	1	1	7	13
Local Govt Spec IV	4	0	1	0	5
Local Govt Spec V	3	1	1	0	5
Natural Resource Off II	1	0	0	0	1
Planner III	2	0	3	0	5
Prog Coordinator	0	1	0	0	1
Project Asst	0	0	1	0	1
Publications Tech II	2	0	0	0	2
Research Analyst II	0	0	2	0	2
Research Analyst III	1	0	1	0	2
Research Analyst IV	0	0	1	0	1
Small Business Specialist II	1	0	0	0	1
State Assessor	1	0	0	0	1
Sustainable Development Spec	1	0	0	0	1
Totals	27	7	33	13	80

Component: International Trade and Market Development

Contact: Greg Wolf, Director

Tel: (907) 269-8115 **Fax:** (907) 269-8125 **E-mail:** greg_wolf@dced.state.ak.us

Component Mission

The mission of the Division of International Trade and Market Development (ITMD) is to increase international trade and investment in Alaska.

Component Services Provided

Assist Alaska Companies Sell Their Goods and Services Overseas. Exports bring new money into the state's economy and create stable, high paying jobs for Alaskans. Division works with private sector in the following ways:

- Connecting Buyers and Sellers -- experienced trade specialists in Alaska and state trade representatives abroad locate overseas buyers and help overseas buyers connect with Alaskan suppliers.
- Overseas Representation -- the division maintains active trade representation in Tokyo, Japan; Seoul, Korea; Taipei, Taiwan; and Yuzhno-Sakhalinsk, Russia.
- Trade Missions, Outbound and Inbound -- ITMD leads business missions to and from targeted markets and arranges seminars, presentations and one-on-one meetings with potential customers.
- Trade Shows -- the division promotes Alaska products and services at major trade and catalog shows, and assists Alaska companies to follow up on leads generated by trade show participation.

Provide Information. The division obtains and disseminates timely, useful economic information and market intelligence on overseas markets important to Alaska businesses via:

- Web Site -- information on Alaska's top export markets is continually updated and posted on the division's web site. Numerous division publications are accessible by visitors to the site. In addition, the site provides linkages to public and private sector trade organizations.
- Newsletters -- the division produces and distributes a regular series of reports that provide information and analysis on trade opportunities, market conditions, currency and commodity price movements and other developments with potential impact on Alaska exports.
- Trade Seminars -- ITMD presents seminars designed to help Alaska firms gain the information and technical expertise necessary to conduct international business and more effectively compete in the global marketplace.
- Customized Reports -- in response to requests from the private sector, the division prepares customized reports on specific market opportunities.

Advance Government-to-Government Relations. The division works with U.S. and foreign governments to open doors and eliminate trade barriers by:

- Opening Doors -- in Alaska's major export markets, an introduction by government can play an important role in fostering successful business relationships.
- Advocating for Alaskans -- ITMD acts as a liaison and advocate in foreign markets, finds information on policies and procedures, and works to resolve difficulties that can arise when doing business in an unfamiliar environment.
- Investment Promotion -- the division promotes investment in Alaska development projects through government-to-government contacts as well as contacts with private sector companies.
- Multiplying Opportunities -- in order to better serve the state's trade community, the division is co-located with the U.S. Department of Commerce, Alaska Export Assistance Center, bringing Alaskans the resources of both state and federal governments. ITMD also works closely with private trade organizations such as World Trade Center Alaska and the Export Council of Alaska, and industry organizations such as the Alaska Seafood Marketing Institute and the Resource Development Council.

Recruit Business and Investment to Alaska. Growth and diversification of the economy creates expanded job opportunities for Alaskans. The division promotes Alaska as a location for companies seeking to relocate or expand by:

- Spreading the Word -- the division produces and distributes brochures and pamphlets highlighting Alaska's unique advantages and attributes as a business location.
- Outreach -- through participation at trade shows and advertisements in industry journals, the division works to generate interest in Alaska by companies from targeted sectors.
- Providing Answers -- in response to information requests by companies, the division tailors customized reports designed to assist companies evaluate Alaska's strategic location.

- Finding Partners -- ITMD helps Alaska entrepreneurs and firms identify potential investors for development projects.

Promote Alaska as a Location for Film Projects. The filming of major motion pictures, television programs, advertisements, documentaries and catalog shoots are projects that bring significant dollars into the Alaska economy. The division promotes Alaska in the following ways:

- Web Presence -- individuals or companies seeking information on carrying out film projects in Alaska receive information and direct links to Alaska film-related companies via the division's web site.
- Outreach -- the division participates in major film industry trade shows and places advertisements in leading trade journals to generate interest in Alaska as a location for film projects.
- Answering the Call -- in response to direct inquiries, the division provides information and assistance to companies seeking to film in Alaska.

Component Goals and Strategies

Increase the Number of Alaska Firms that Export Services and Products

Provide market intelligence and export information to export-ready Alaska companies.

Assist smaller and new-to-export firms to "test the waters" overseas through relatively inexpensive means such as Alaska Products Catalogs distributed to trade groups, and shared Alaska booths at targeted trade shows.

With private sector interest and support, organize and conduct trade missions matching industries with potential markets to expand sales in current markets and develop new markets.

Increase the Dollar Value of Exports from the State

Provide information and assistance to help Alaska companies initiate or expand export business activities.

Research potential niche-market opportunities for value-added Alaska products. Identify potential buyers in promising markets, and introduce them to Alaska suppliers.

Keep Alaskans informed about key markets through periodic newsletters and special reports.

Maximize the number of Trade Leads in International Trade and Development while minimizing the cost

Strive to increase number of leads and qualify leads for appropriateness and potential, while working to contain cost.

Distribute leads to appropriate Alaska and overseas businesses.

Identify and help Alaska companies to pursue new export opportunities.

Participate in special promotions and presentations, trade shows and seminars to raise the visibility of Alaska as a potential source for products and services, and a good place to do business.

Educate potential customers overseas about what Alaska has to offer, through efforts of overseas trade representatives in Japan, Korea, Taiwan and the Russian Far East.

Organize and conduct trade missions, inbound and outbound, to introduce buyers in key markets to Alaska sellers.

Promote Exports to Alaska's Key Markets - Japan, Korea, Canada, China, Taiwan, and the Russian Far East

Focus on Alaska's key markets by contracting for trade representation in Tokyo, Seoul, Taipei and Sakhalin. Overseas trade representatives maintain contacts with key officials in private sector and government, promote Alaska products and services, and provide timely, useful market information to Alaskans.

Utilize overseas trade representatives to extend the effectiveness of Alaska companies overseas - provide market research on specific goods and services, and assist Alaskans to make contact with buyers.

In Alaska's No. 1 export market, Japan,

- Promote Alaska goods and services through high visibility presence: Alaska Products Fair at Matsuzakaya Department Store, Alaska Food Fair at Capitol Tokyu Hotel, trade shows, and Japanese-language web presence.
- Provide market information to Alaska's public and private sector: energy market reports, seafood wholesale price reports, and market information on fresh and live seafood in connection with air cargo promotion.
- Assist Alaska business and industry by organizing trade missions, inbound and outbound, and assist individual companies with appointments in Japan as requested.
- Increase Alaska's presence in Osaka and regional markets.

In Korea,

- Promote Alaska goods and services through trade show presence: US Food Showcase and other trade shows, and Korean-language web presence.
- Provide market information to Alaska's public and private sector: energy market reports, seafood wholesale price reports and market intelligence.
- Assist Alaska business and industry by organizing trade missions, both inbound and outbound, and assist individual companies with appointments in Korea as requested.

- Promote Alaska seafood and other foods in niche market of international-class hotels.

In Canada,

- Promote Alaska exports by encouraging backhaul trade, trade missions, and providing market information.
- Enhance existing areas of cooperation in trade, tourism, transportation, resource development, arctic issues, and other common concerns.
- Promote Alaska's mining sector by encouraging Canadian mining companies to utilize Alaska's mineral resources as well as Alaska's strategic position as a gateway to the Russian Far East.

In China,

- Establish trade representation for the State of Alaska.
- Assist Alaska business and industry by coordinating inbound missions, introducing buyers to sellers, and producing special reports.

In Taiwan,

- Promote Alaska goods and services through trade show presence: American Food Festival, other trade shows, catalog shows, and Chinese-language web presence.
- Provide market information to Alaska's public and private sector: energy market, technical services, agriculture and general market information
- Assist Alaska business and industry by organizing trade missions, both inbound and outbound, and assist individual companies with contacts and appointments in Taiwan as requested.
- Promote Alaska agricultural produce in niche markets.

In Russia,

- Promote Alaska goods and services in oil and gas project developments on Sakhalin Island, focusing on oil field services, environmental services and related resource development service and supply sector.
- Assist Alaska industry by working with public and private sector in Sakhalin to improve business conditions there. Manage USAID-funded Alaska-Sakhalin projects creating an AIDEA-model development bank, performing a workforce assessment /development program for resource development projects, and providing technical assistance to develop an environmental regulatory regime.
- Assist Alaska businesses and organizations by organizing trade missions and working with Magadan, Chukotka and Kamchatka governments and businesses in oil and gas, mining, tourism and other promising sectors.
- Bolster Alaska's role as exclusive US gateway to the Russian Far East by working to maintain and expand Alaska's air routes to the Russian Far East.

Foster economic growth and diversification by promoting Alaska for relocation, expansion, and investment

Based on results of national survey of corporate executives to ascertain their knowledge of Alaska's attributes for business and investment, develop and distribute new marketing materials specifically designed to stimulate interest by companies in relocating or expanding their business operations to Alaska. These will include a brochure highlighting Alaska's attributes and advantages for information technology and other technology-based businesses.

Provide tailored responses to companies seeking site selection information about Alaska.

Market Alaska to companies through representation at one or more major trade shows.

Coordinate with local economic development organizations to leverage resources and effectively respond to inquiries.

Increase the number of film, video, television and locations shoots produced in Alaska

Provide assistance and respond to direct inquiries regarding locations, local film industry, and permitting for filming in Alaska.

Advertise in trade journals to promote Alaska as a film destination.

Update promotional video to provide a visual references about Alaska's locations.

Maintain Internet website with current information regarding Alaska's film industry and film resources.

Update film manual to provide current, detailed information on Alaska's film industry.

Provide meaningful and high-quality assistance to private and public sectors to benefit Alaska's economy

Ensure that information on Alaska's export economy is accessible through a variety of media including the Internet, special reports, newsletters and trade seminars.

On a regular basis, survey users of the division's services and programs to measure satisfaction and results.

- Maintain contact with companies and associations to continually assess needs of Alaska's industry.

Key Component Issues for FY2002 – 2003

It is important for Alaska to maintain an active, effective trade presence in the state's traditional export markets during the current worldwide business slowdown. Exports to the region held fairly steady in 2000, but economies of the

countries in the region have not performed uniformly and there remains uncertainty as to how long the slowdown will continue. This is a critical time for Alaska exporters. Targeted efforts made now will enable companies to maintain, gain or, in some cases, regain market share. Information and assistance provided by the division's in-state trade specialists and overseas representatives will play an important role in helping Alaska firms to compete more effectively in the global marketplace.

The state's export industries continue to benefit from Alaska's trade presence in key overseas markets. Having established trade representation early on in markets like Japan, Korea, Taiwan and Sakhalin, Alaska exports to those markets have grown substantially. Alaska's worldwide exports were \$2.5 billion in 2000. In addition to maintaining a strong trade presence in these traditional markets, the state should now take steps to establish trade representation in China, an emerging market with significant potential for Alaska's goods and services.

In order to expand and diversify the economy, Alaska must attract new industry and investment to the state. Doing so will help expand employment opportunities for Alaskans and diversify the tax base. Business and investment recruitment is a highly competitive endeavor. Cities, counties and states across America compete to attract business to their communities. In reality, the competition is global. American communities often find themselves competing with overseas locales for new business and investment. If Alaska is to succeed in attracting its fair share, sufficient resources that will enable an effective, pro-active recruitment program will need to be deployed.

Major Component Accomplishments in 2001

Trade Mission to Japan – Organized Governor's Mission to Japan with approximately two dozen high-level private sector participants. Raised profile while initiating and renewing business ties with Alaska's major trading partner.

Seafood successes in Korea. Division continued introduction of fresh Alaska seafood to hotel restaurants and other high-end customers - to the benefit of seafood and air cargo industries. Missions and promotions resulted in nearly \$1,000,000 in direct sales by Alaska seafood companies to five major hotels in Korea. Business meeting with Korean Air resulted in airline's decision to promote travel to Alaska by "Destination Alaska" in-flight video and cover article for carrier's in-flight magazine.

Korea – US Pacific States Agreement. Alaska and four other U.S. Pacific states signed mutual cooperation agreement with Korea-US Economic Council (KUSEC) to further trade and investment relations between Korea and the five states. A major activity arising from the agreement is an annual conference that will alternate between Korea and one of the states. The first conference on US soil will be held in Anchorage in May 2003.

Canada -- A flurry of Alaska-Canada activities focused on proposed Alaska Highway Natural Gas Pipeline project and other cross-border relations. U.S. and Canadian consuls visited Alaska; Gov. Knowles met with his western Canadian counterparts; and ITMD figured in many of these activities as a facilitator and source of information for the visits.

Taiwan -- Matched environmental needs with AK expertise . Division promoted Alaska oil spill preparedness and response companies/agencies to Taiwan Coast Guard, Taiwan EPA, Chinese Petroleum Corp., Taiwan Legislative Yuan. Result: an Alaska environmental services company is currently in negotiations with Taiwan EPA for an oil spill response training contract.

China – Organized Governor's Mission to China with stops in Hong Kong, Shanghai and Beijing. Results: Alaska company entered into a joint venture with the Chinese pipeline and oil company, SINOPEC. Seafood sales nearly doubled in latter half of 2000. Mission afforded opportunity to thank existing customers and introduce Alaska's resource and service exports to potential buyers, with stops in Hong Kong, Shanghai and Beijing. Mission afforded opportunity to thank existing customers and introduce Alaska's resource and service exports to potential buyers.

Russia – Restoring RFE flights. Following the demise of Reeve Aleutian Airways, ITMD sponsored Alaska-RFE Aviation Roundtable, bringing stakeholders together to rebuild RFE routes, which in turn led Evergreen International Airlines to announce intent to start Sakhalin service in 2002; Mavial expanded its Anchorage-Magadan route to include Kamchatka; and Alaska-Chukotka flights picked up.

Exports Steady in 2000. Alaska exported \$2.5 billion worth of goods in 2000, about the same as 1999, and an increase of 31% over 1998. Alaska's exports during the first half of 2001 decreased \$179 million, or nearly 15%, largely due to change in the destination of Alaska North Slope crude oil. Producers now send that commodity to US refineries rather

than overseas. Excluding crude oil, the state's worldwide exports increased 11.8%, and Alaska's trade through the first half 2001 totaled \$1.03 billion compared with \$920.4 billion the first half of 2000.

Statutory and Regulatory Authority

AS 37.17.440 International Trade and Business Endowment
AS 44.33 Economic Development
AS 44.33.800 International Trade
AS 44.99.100 Economic Development Policy

International Trade and Market Development

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	769.6	745.4
72000 Travel	0.0	70.7	70.7
73000 Contractual	0.0	947.8	978.1
74000 Supplies	0.0	19.5	19.5
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	295.0	295.4
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	0.0	2,102.6	2,109.1
Funding Sources:			
1004 General Fund Receipts	0.0	1,461.3	1,580.0
1005 General Fund/Program Receipts	0.0	12.7	12.7
1007 Inter-Agency Receipts	0.0	112.2	0.0
1108 Statutory Designated Program Receipts	0.0	20.0	20.0
1115 International Trade and Business Endowment Income	0.0	496.4	496.4
Funding Totals	0.0	2,102.6	2,109.1

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
Restricted Revenues						
Interagency Receipts	51015	0.0	112.2	0.0	0.0	0.0
General Fund Program Receipts	51060	0.0	12.7	12.7	12.7	12.7
Statutory Designated Program Receipts	51063	0.0	20.0	20.0	20.0	20.0
Intl Trade & Business Endowment Income	51422	0.0	496.4	496.4	496.4	496.4
Restricted Total		0.0	641.3	529.1	529.1	529.1
Total Estimated Revenues		0.0	641.3	529.1	529.1	529.1

International Trade and Market Development

Proposed Changes in Levels of Service for FY2003

An increment is requested to provide contract trade representation in the People's Republic of China (PRC) to promote China's import of Alaska goods and services.

Summary of Component Budget Changes

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	1,474.0	0.0	628.6	2,102.6
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	28.7	0.0	0.0	28.7
Proposed budget decreases:				
-Reduce unneeded I/A Receipts	0.0	0.0	-112.2	-112.2
Proposed budget increases:				
-People's Republic of China Trade Representation	90.0	0.0	0.0	90.0
FY2003 Governor	1,592.7	0.0	516.4	2,109.1

International Trade and Market Development

Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	11	10	Annual Salaries	548,079
Part-time	1	1	COLA	17,592
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	191,359
			<i>Less 1.54% Vacancy Factor</i>	(11,630)
			Lump Sum Premium Pay	0
Totals	12	11	Total Personal Services	745,400

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Clerk I	1	0	0	0	1
Administrative Clerk III	1	0	0	0	1
Division Director	1	0	0	0	1
Economist	1	0	0	0	1
Research Analyst II	1	0	0	0	1
Secretary	1	0	0	0	1
Special Projects Coordinator	2	0	0	0	2
Trade Specialist I	1	0	0	0	1
Trade Specialist II	2	0	0	0	2
Totals	11	0	0	0	11

State Revenue Sharing Budget Request Unit

Contact: Pat Poland, Director

Tel: (907) 269-4580 **Fax:** (907) 269-4539 **E-mail:** Pat_Poland@dced.state.ak.us

BRU Mission

To provide for a sharing of fish taxes collected outside municipal boundaries to municipalities that demonstrate they suffered significant effects from fisheries business activities.

To share with affected local governments revenues earned from activities within the Tongass and Chugach National Forests to be used for schools and roads.

To compensate cities in the unorganized borough for lost revenues due to the location of federal lands within their respective areas.

To improve local governments' fiscal capacities and to assure no municipality suffers impoverishment of necessary public services, relative to other municipalities, because of the chance location of taxable wealth in the state.

BRU Services Provided

Under this BRU, the Community and Business Development Division administers four important revenue sharing programs for the financial support of Alaska's communities. These formula funded programs include both state and federal dollars and have proven highly beneficial to Alaska's communities in providing basic public services to their citizens. By consolidating the administrative responsibilities of these programs, the State is able to offer a high level of assistance to the participating communities in a very efficient manner.

BRU Goals and Strategies

Help Alaska local governments deal with significant impacts on community services and infrastructure arising from proximity to the fishing industry.

Distribute both state and federal financial assistance in an accurate, fair, and timely manner.

Improve the fiscal capacities of Alaska's local governments.

Key BRU Issues for FY2002 – 2003

Cuts in State Shared Revenues - Despite the drastic cuts made to these programs, the State Revenue Sharing and Safe Communities Programs continue to be important sources of funding for Alaska's local governments, particularly the small rural cities. For many of the rural cities, these funds still represent a significant portion of their operating budgets. In FY 86, these programs totaled \$140,939,000. In FY 02 these programs totaled \$29,330,587 an 80% decrease in annual funding not adjusted for inflation. The funding cuts have had a dramatic impact on Alaska's local governments and their residents. These impacts include:

- Municipal Dissolution
- Significant Reduction in Public Services and Public Health
- Deteriorating Infrastructure
- Increased Social Problems
- Insurance Unavailability and Rate Increases
- Increased IRS and ESC problems and levies
- Decline in Urban/Rural Business Activity
- Increased Local Taxes

Major BRU Accomplishments in 2001

Distributed community financial assistance payments in an accurate, fair and timely manner.

State Revenue Sharing
BRU Financial Summary by Component

All dollars in thousands

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
<u>Formula</u>												
<u>Expenditures</u>												
State Revenue Sharing	12,855.2	0.0	0.0	12,855.2	12,855.2	0.0	0.0	12,855.2	12,855.2	0.0	0.0	12,855.2
Municipal Assistance	15,638.2	0.0	0.0	15,638.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
National Program Receipts	0.0	5,556.8	0.0	5,556.8	0.0	15,830.0	0.0	15,830.0	0.0	15,830.0	0.0	15,830.0
Fisheries Business Tax	0.0	0.0	1,403.6	1,403.6	0.0	0.0	1,000.0	1,000.0	0.0	0.0	1,150.0	1,150.0
<u>Non-Formula</u>												
<u>Expenditures</u>												
None.												
Totals	28,493.4	5,556.8	1,403.6	35,453.8	12,855.2	15,830.0	1,000.0	29,685.2	12,855.2	15,830.0	1,150.0	29,835.2

State Revenue Sharing

Proposed Changes in Levels of Service for FY2003

Congress has enacted legislation (HR 2389) that will increase and stabilize future national forest receipt funding. Starting in FY 02 and continuing for six years, the Department will receive an annual payment based on the average of the three highest payment years between FFY 86 - 99. It is estimated that the annual payment to the state will be between approximately \$9 to 10 million. At this time it appears the federal appropriation for the Payment in Lieu of Taxes Program funding level will increase in FY03 to approximately \$180 to \$200 million. The division estimates that the Department's pass-through share for cities in the Unorganized Borough in FY 03 will be between approximately \$5 to 6 million. The FY02 budget was increased in anticipation of these increased revenues.

State Revenue Sharing

Summary of BRU Budget Changes by Component

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	12,855.2	15,830.0	1,000.0	29,685.2
Adjustments which will continue current level of service:				
-Fisheries Business Tax	0.0	0.0	150.0	150.0
FY2003 Governor	12,855.2	15,830.0	1,150.0	29,835.2

Component: State Revenue Sharing

Contact: Pat Poland, Division Director

Tel: (907) 269-4580 **Fax:** (907) 269-4539 **E-mail:** Pat_Poland@dced.state.ak.us

Component Mission

To improve local governments' fiscal capacities and to assure no municipality suffers impoverishment of necessary public services, relative to other municipalities, because of the chance location of taxable wealth in the state.

Component Services Provided

1. Direct financial assistance through the formula-based State Revenue Sharing Program.
2. Direct vendor payments on behalf of local governments to entities such as the Alaska Municipal League/Joint Insurance Association Inc. for insurance premiums and Yukon Fuel for bulk fuel purchases.

Component Goals and Strategies

1. To improve the fiscal capacities of Alaska's local governments.
2. To distribute program funding in an accurate, fair, and timely manner.

Key Component Issues for FY2002 – 2003

Cuts in State Shared Revenues - Despite the drastic cuts made to these programs, the State Revenue Sharing and Safe Communities Programs continue to be important sources of funding for Alaska's local governments, particularly the small rural cities. For many of the rural cities, these funds still represent a significant portion of their operating budgets. In FY 86, these programs totaled \$140,939,000. In FY 02 these programs totaled \$29,330,587 an 80% decrease in annual funding not adjusted for inflation. The funding cuts have had a dramatic impact on Alaska's local governments and their residents. These impacts include:

Municipal Dissolution
Significant Reduction in Public Services and Public Health
Deteriorating Infrastructure
Increased Social Problems
Insurance Unavailability and Rate Increases
Increased IRS and ESC problems and levies
Decline in Urban/Rural Business Activity
Increased Local Taxes

Major Component Accomplishments in 2001

Distributed State Revenue Sharing Program payments in an accurate, fair and timely manner.

Statutory and Regulatory Authority

AS 29.60.010-.310	State Revenue Sharing
3 AAC 30.010-.150	State Revenue Sharing

State Revenue Sharing

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	0.0
73000 Contractual	0.0	0.0	0.0
74000 Supplies	0.0	0.0	0.0
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	12,855.2	12,855.2	12,855.2
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	12,855.2	12,855.2	12,855.2
Funding Sources:			
1004 General Fund Receipts	12,855.2	12,855.2	12,855.2
Funding Totals	12,855.2	12,855.2	12,855.2

State Revenue Sharing
Proposed Changes in Levels of Service for FY2003

No service changes.

Summary of Component Budget Changes
From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	12,855.2	0.0	0.0	12,855.2
FY2003 Governor	12,855.2	0.0	0.0	12,855.2

Component: National Program Receipts

Contact: Pat Poland, Director

Tel: (907) 269-4580 **Fax:** (907) 269-4539 **E-mail:** Pat_Poland@dced.state.ak.us

Component Mission

1. To share with affected local governments revenues earned from activities within the Tongass and Chugach National Forests to be used for schools and roads.
2. To compensate cities in the unorganized borough for lost revenues due to the location of federal lands within their respective areas.

Component Services Provided

1. Direct financial assistance through the federal National Forest Receipts and Payment in Lieu of Taxes Programs.
2. Direct vendor payments on behalf of local governments to entities such as the Alaska Municipal League/Joint Insurance Association Inc. for insurance premiums and Yukon Fuel for bulk fuel purchases.

Component Goals and Strategies

To distribute both state and federal financial assistance in an accurate, fair, and timely manner.

Key Component Issues for FY2002 – 2003

Congress has enacted legislation (HR 2389) which will stabilize future forest receipts funding. Starting in FY 02 and continuing over the next six years, the State will receive an annual payment based on the average of the three highest payment years within FFY 86 -99. This will have a positive effect on the communities in Southeast Alaska which have been hit hard by the substantial decrease in timber harvesting within the Tongass National Forest. Payments received by eligible entities under the revised program must be used for schools, roads, and special forest related projects.

Major Component Accomplishments in 2001

Distributed Community Financial Assistance payments in an accurate, fair and timely manner.

Statutory and Regulatory Authority

AS 41.15.180	National Forest Receipts
3 AAC 32.010-.900	National Forest Receipts
3 AAC 52.100-.900	Payment in Lieu of Taxes

National Program Receipts

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	0.0
73000 Contractual	0.0	0.0	0.0
74000 Supplies	0.0	0.0	0.0
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	5,556.8	15,830.0	15,830.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	5,556.8	15,830.0	15,830.0
Funding Sources:			
1002 Federal Receipts	5,556.8	15,830.0	15,830.0
Funding Totals	5,556.8	15,830.0	15,830.0

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
<u>Unrestricted Revenues</u>						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
<u>Restricted Revenues</u>						
Federal Receipts	51010	5,556.8	15,830.0	15,830.0	15,830.0	15,830.0
Restricted Total		5,556.8	15,830.0	15,830.0	15,830.0	15,830.0
Total Estimated Revenues		5,556.8	15,830.0	15,830.0	15,830.0	15,830.0

National Program Receipts

Proposed Changes in Levels of Service for FY2003

Congress has enacted legislation (HR 2389) that will increase and stabilize future national forest receipt funding. Starting in FY 02 and continuing for six years, the Department will receive an annual payment based on the average of the three highest payment years between FFY 86 - 99. It is estimated that the annual payment to the state will be between approximately \$9 to 10 million. At this time it appears the federal appropriation for the Payment in Lieu of Taxes Program funding level will increase in FY03 to approximately \$180 to \$200 million. The division estimates that the Department's pass-through share for cities in the Unorganized Borough in FY 03 will be to between approximately \$5 to 6 million. The FY02 budget was increased in anticipation of these increased revenues.

Summary of Component Budget Changes

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	15,830.0	0.0	15,830.0
FY2003 Governor	0.0	15,830.0	0.0	15,830.0

Component: Fisheries Business Tax

Contact: Pat Poland, Director

Tel: (907) 269-4580 **Fax:** (907) 269-4539 **E-mail:** Pat_Poland@dced.state.ak.us

Component Mission

To provide for a sharing of fish taxes collected outside municipal boundaries to municipalities that demonstrate they suffered significant effects from fisheries business activities.

Component Services Provided

1. Direct financial assistance through the Shared Fisheries Business Tax and Fisheries Landing Tax Programs.
2. Technical assistance for, and facilitation of, local area agreements on optional funding allocations as provided for in the program.

Component Goals and Strategies

1. To help Alaska local governments deal with significant impacts on community services and infrastructure arising from proximity to the fishing industry.
2. To distribute both state and federal financial assistance in an accurate, fair, and timely manner.

Key Component Issues for FY2002 – 2003

None.

Major Component Accomplishments in 2001

Distributed community financial assistance payments in an accurate, fair and timely manner.

Statutory and Regulatory Authority

AS 29.60.450	Shared Fisheries Business Taxes
3 AAC 34.010-.160	Shared Fisheries Business Taxes

Fisheries Business Tax

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	0.0
73000 Contractual	0.0	0.0	0.0
74000 Supplies	0.0	0.0	0.0
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	1,403.6	1,000.0	1,150.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	1,403.6	1,000.0	1,150.0
Funding Sources:			
1007 Inter-Agency Receipts	1,403.6	1,000.0	1,150.0
Funding Totals	1,403.6	1,000.0	1,150.0

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
<u>Unrestricted Revenues</u>						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
<u>Restricted Revenues</u>						
Interagency Receipts	51015	1,403.6	1,000.0	1,000.0	1,150.0	1,150.0
Restricted Total		1,403.6	1,000.0	1,000.0	1,150.0	1,150.0
Total Estimated Revenues		1,403.6	1,000.0	1,000.0	1,150.0	1,150.0

Fisheries Business Tax
Proposed Changes in Levels of Service for FY2003

None.

Summary of Component Budget Changes
From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	0.0	1,000.0	1,000.0
Adjustments which will continue current level of service:				
-Fisheries Landing Tax to Fisheries Business Tax Component	0.0	0.0	150.0	150.0
FY2003 Governor	0.0	0.0	1,150.0	1,150.0

BRU/Component: Safe Communities Program

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

Contact: Pat Poland, Division Director

Tel: (907) 269-4580 **Fax:** (907) 269-4539 **E-mail:** Pat_Poland@dced.state.ak.us

Component Mission

To provide financial assistance to incorporated municipalities so that they may provide necessary public services for their citizens.

Component Services Provided

3. Direct financial assistance through the Safe Communities Program (formerly known as the Municipal Assistance Program).
4. Direct vendor payments on behalf of local governments to entities such as the Alaska Municipal League/Joint Insurance Association Inc. for insurance premiums and Yukon Fuel for bulk fuel purchases.

Component Goals and Strategies

1. To improve the fiscal capacities of Alaska's local governments.
2. To distribute both state and federal financial assistance in an accurate, fair, and timely manner.

Key Component Issues for FY2002 – 2003

Cuts in State Shared Revenues - Despite the drastic cuts made to these programs, the State Revenue Sharing and Safe Communities Programs continue to be important sources of funding for Alaska's local governments, particularly the small rural cities. For many of the rural cities, these funds still represent a significant portion of their operating budgets. In FY 86, these programs totaled \$140,939,000. In FY 02 these programs totaled \$29,330,587, an increase of \$837,187 over FY01. The impacts of the cuts since FY86 include:

Municipal Dissolution
Significant Reduction in Public Services and Public Health
Deteriorating Infrastructure
Increased Social Problems
Insurance Unavailability and Rate Increases
Increased IRS and ESC problems and levies
Decline in Urban/Rural Business Activity
Increased Local Taxes

Major Component Accomplishments in 2001

Distributed Community Financial Assistance payments in an accurate, fair and timely manner.

Statutory and Regulatory Authority

AS 29.60.350-.375 Safe Communities

Safe Communities Program

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	0.0
73000 Contractual	0.0	0.0	0.0
74000 Supplies	0.0	0.0	0.0
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	16,775.5	16,775.5
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	0.0	16,775.5	16,775.5
Funding Sources:			
1004 General Fund Receipts	0.0	16,775.5	16,775.5
Funding Totals	0.0	16,775.5	16,775.5

Safe Communities Program
Proposed Changes in Levels of Service for FY2003

None.

Summary of Component Budget Changes
From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	16,775.5	0.0	0.0	16,775.5
FY2003 Governor	16,775.5	0.0	0.0	16,775.5

BRU/Component: Qualified Trade Association Contract

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

Contact: Jeff Bush, Deputy Commissioner

Tel: (907) 465-2500 **Fax:** (907) 465-5442 **E-mail:** Jeff_Bush@dced.state.ak.us

Component Mission

The mission of the state tourism marketing program is to increase jobs and income to Alaska residents through the promotion of Alaska as a visitor destination and the resulting visitor expenditures.

Component Services Provided

Continue to provide funding for the state's statewide tourism marketing contract with a qualified trade association.

Component Goals and Strategies

INCREASE BENEFITS FROM VISITORS COMING TO OR TRAVELING WITHIN THE STATE

- Increase interest in Alaska as a visitor destination.
- Increase employment of Alaskans in the visitor industry throughout the state.
- Increase awareness and participation of businesses in the marketing program.
- Increase private sector funding of state tourism marketing programs.
- Endeavor to position Alaska as a year-round destination.
- Increase visitation to all regions of the state including non-urban areas.
- Attract a diverse mixture of visitors who travel to and within Alaska by a variety of travel modes.
- Increase total visitor expenditures statewide; endeavor to maintain or increase per trip expenditures.
- Increase independent visitation to the state.
- Increase the rate of repeat visitation.

Key Component Issues for FY2002 – 2003

Growth Rate of Tourism Travel to Alaska is Decreasing --- The rate of growth of tourism visitation is declining both for package travel and independent visitors. However, although the overall growth rate of package tours has declined, Alaska's share of the international cruise market has been maintained. Meanwhile the growth of independent travelers has dropped below the national average rate.

Obtain sufficient private sector funding to meet requisite match and improve program - Beginning in FY 03, state law requires the qualified trade association contractor to increase its contribution to the marketing program from 30 to 60 percent. Unless additional funds are generated from private sector companies, the state's match will be reduced.

Increased competition from other tourism destinations continues to threaten the Alaska industry - Alaska's public funding for tourism marketing has declined from over \$10 million in FY92 to \$4.6 million in FY02. While other states have increased their funding by 25 percent in the past five years, Alaska has slipped from 7th to 29th place in the total amount spent on tourism programs, and now ranks 36th in the amount of public sector funds allocated to tourism. This decline in state funding requires industry to find ways to more effectively utilize its marketing money.

Alaska's Tourism Industry Negatively Impacted by Terrorist Attack - Alaska may be more significantly impacted by September 11th than other U.S. destinations because air travel is the primary mode of travel for the majority of Alaska visitors. The Winter Season may be negatively impacted because Japanese travelers are reluctant to fly and they account for a significant portion of visitor destination travel and expenditures to Interior Alaska, specifically the Fairbanks area, during the winter months.

Major Component Accomplishments in 2001

National cable television returned to the marketing program after Alaska was “off the air” for 1 full year. Total buy in FY02: \$1.2 million.

Exceeded required industry match by 17% during the first year.

Increased business participation in the state tourism marketing program by 29% over the past 2 years.

The number of requests for Alaska trip-planning information generated in FY01 exceeded 615,000.

Increased and expanded the selection of marketing services to businesses. New programs included: advertising on specialty websites featuring adventure/ecotourism; sportfishing and cultural tourism; online travel specials on website to allow businesses to promote short-term special offers to consumers; electronic newsletter which allows follow-up marketing to consumers.

Increased traffic to Official State Travel website; average of 90,000 visitor sessions and 1.9 million hits per month.

Re-introduced Alaska representation in Australia.

Completed the Images of Alaska 2000 research study which tracks the behavior and travel attitudes of Alaska visitors and potential visitors.

Development of comprehensive Alaska Destination specialist training program in partnership with the Institute of Certified Travel Agents (ICTA). Alaska is only the 2nd state to participate in this program.

Increased interest in adventure/ecotourism and sportfishing in Alaska by creating individual websites addressing these industry segments and implementing targeted opt-in email campaigns to drive traffic to the sites.

Assisted more than 1,000 individual travel writers in developing Alaska travel stories covering all regions of the state and industry segments. Also maintained online media center, allowing continuous access for travel media to Alaska travel information, photography and support services.

Maintained participation in Tourism North program, a cooperative effort between Alaska and four Canadian jurisdictions working to increase highway/ferry travel.

Statutory and Regulatory Authority

AS 44.33.119-125

Key Performance Measures for FY2003

Measure:

Increase visitation from domestic and foreign markets.

Alaska's Target & Progress:

Target is to increase overall visitation by 3% in Summer and 3% in Fall/Winter.

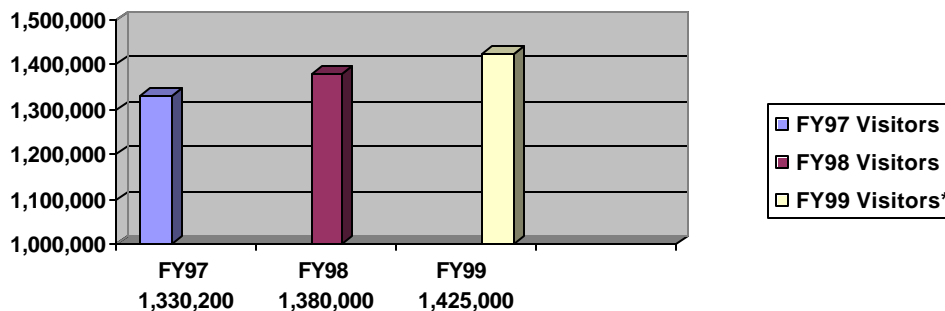
Summer 2001: Progress will not be known until the Alaska Visitor Statistics Program (AVSP) Summer 2001 report is released by the Department. However, in an informal poll of Alaska tourism businesses over 40% of respondents reported business was down for summer of 2001 compared to previous years.

Fall/Winter 2001: Early indicators show that this goal was exceeded by a significant amount. Preliminary data from the AVSP Fall/Winter 2000/01 estimates arrivals were 10-15% higher than in fall/winter 1998-99 (the last year for which information is available).

DCED is updating the Alaska Visitor Statistics Program IV (AVSP), which will provide critical data on Alaska visitors. This information will be used as a benchmark for tracking actual visitation patterns for FY03 and in future years. Once completed, this study will also provide benchmark information for the number of repeat visitors.

The AVSP 1999 Summer Arrivals study shows that visitor traffic growth has slowed over the past several years. In 1996, visitor volume grew by 10%; in 1997, by 5%; and in 1998, by 4%.

YEAR-ROUND ALASKA VISITATION



*No AVSP Fall/Winter arrivals data was collected for 1999/2000 so 1998/1999 figures were used for comparison.

Events of 9/11: The tragic events of September 2001 have altered the course of travel for the foreseeable future. Travel and tourism is one of the hardest hit sectors of the economy and one of the areas where consumer confidence will take the longest time to return. Massive layoffs and bankruptcies are erupting throughout the industry. As a result urgent short term measures have been undertaken by the federal government to generate cash flow and assist the travel industry in regaining its footing. A number of cities and states have begun emergency marketing campaigns to attract consumers who are willing to travel. In Alaska the major impact will occur in the coming months as we head into the peak booking cycle and summer season. Alaska is expected to be particularly hard hit since many consumers are now afraid to fly, and Alaska's primary mode of travel is by air.

Benchmark Comparisons:

According to the Travel Industry Association (TIA), U.S. domestic travel for 2000 grew by 1% over 1999, while the Pacific region of the U.S. saw an increase of 5% over the previous year. International travel was up 4.9% with cruise industry traffic increasing 16.8%. TIA originally forecasted a 1.8% increase in domestic/international travel for 2002, although these projections are now being re-evaluated due to the terrorist attacks.

Background and Strategies:

Alaska needs to become more competitive in the marketplace; given current funding, this is very difficult to do. In comparison to other states, Alaska ranks 36th in the amount of state funds allocated to tourism marketing. This greatly diminishes the state's ability to compete for visitors. The average state tourism marketing budget for 2001 was \$13.7 million compared to Alaska's \$7.3 million budget. Another important point of reference is that 35 of 50 state tourism marketing programs receive 100% of their funding from the public sector.

International visitors continue to come primarily from Japan, Germany, the United Kingdom and Australia. Based on reports from tour operators, cruise lines and airline sources the 2001 season brought approximately 25,000 visitors from Germany, 23,000 from Japan, 15,000 from the United Kingdom and 12,000 from Australia.

Marketing strategies being implemented to compete for visitors include:

- Adding national cable television.
- Expanding and promoting Official Alaska State Travel Website (www.travelalaska.com) in order to maintain the monthly average of 90,000 visitor sessions and 23.5 million total hits to the site for the year.
- Bolstering Public Relations efforts to include aggressive outreach to travel writers, editors and producers in order to increase national media exposure for Alaska.
- Increasing the level of knowledge regarding Alaska with travel trade and tour operators.

Measure:

Increase economic and other benefits provided by the visitor industry.

Alaska's Target & Progress:

Target is to:

- Increase statewide visitor expenditures from \$949 million and overall impact of \$2.6 billion;
- Enhance the quality of life for Alaskans; and
- Increase year-round employment of Alaskans in the visitor industry above the current 30,700.

Number of Jobs: One in eight private sector workers are now employed in the visitor industry in Alaska. Alaska's visitor industry directly and indirectly accounts for approximately 30,700 jobs (20,300 direct employment; 10,400 indirect employment).

Average Visitor Expenditure: Visitors spend an estimated \$726 per-person, per-trip while visiting Alaska. As the number of visitors to Alaska grows, the overall economic impact to the state will increase.

**Total Visitor Industry-Related
Economic Output (Spending) in Alaska, 1998**

	Direct Spending (millions)	Output Multiplier	Indirect Output (millions)
Transportation	\$172.1	1.8973	\$326.5
Retail	191.1	1.7945	324.9
Service Sector			
Lodging	203.7	1.6589	337.9
Food/Drink	137.1	1.5499	212.5
All Other Service	244.8	1.6554	405.2
Total	\$948.9		\$1,625
Plus Direct Impacts			949
GRAND TOTAL:			\$2,574

Source: Economic Impacts of Alaska's Visitor Industry, March 1999

Benchmark Comparisons:

Length of Trip: The Travel Industry of America (TIA) reports the national average trip duration in 2000 was 4.1 nights. Alaska is out-performing the national average. The 1999 AVSP visitor arrival study reports the average trip duration at 9.8 days. More nights/days in a destination translate into more dollars spent.

Background and Strategies:

Through the statewide marketing effort, ATIA strives to increase visitor expenditures by bringing more visitors to Alaska and encouraging these visitors to stay longer and spend more. By targeting a diverse mix of visitors, we are able to expand the range of businesses that benefit, provide a quality experience and bring income to all regions of the state.

As Alaska's tourism industry grows, residents will benefit both directly and indirectly through increased employment and quality of life improvements such as jet air service, local attractions, hotels, restaurants, etc. More importantly, as other industries face decline – such as commercial fishing, mining and timber – more residents are turning to Alaska's visitor industry for employment.

Measure:

Increase participation of businesses in the tourism marketing program.

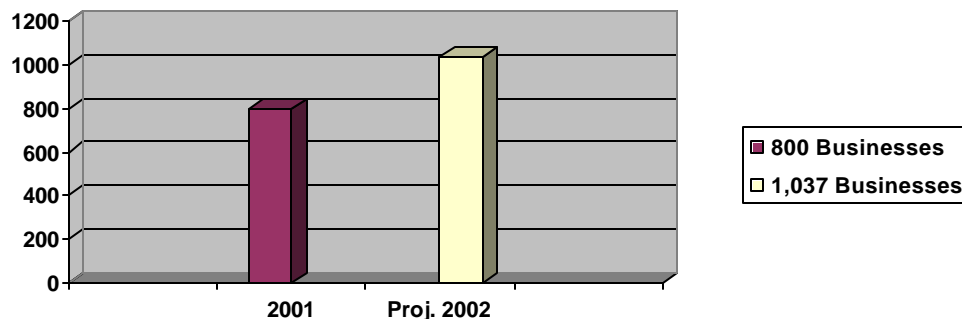
Alaska's Target & Progress:

Targets include:

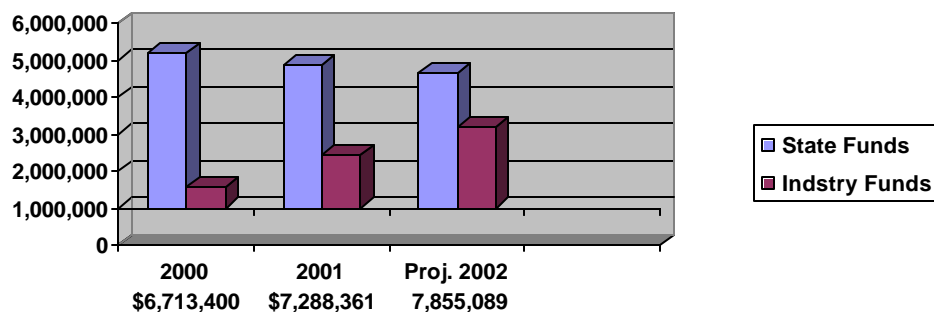
- Raise a minimum of 30% of the funding for marketing from the private sector: This target was met and exceeded by 17% for FY01 and will be exceeded by approximately 60% for FY02. In FY03, the required match requirement doubles. While the industry will continue to increase its share of funding, it will not be possible to reach \$6 million in FY03.
- Increase business participation in the state tourism marketing program: Participation has increased by 29 percent over the past two years.
- Increase the selection of marketing services to businesses: New programs include advertising on specialty websites catering to adventure/ecotourism, sportfishing and cultural travelers; online Travel Specials section on website to allow businesses to promote short-term special offers to consumers; and electronic newsletter sent directly to potential travelers.

The private sector was required to match state funds by 30% in FY01 and FY02. For both years, additional funds were raised outside of the contract and spent on marketing. In FY01 the required match was \$2,078,571 with an additional \$359,790 raised for a total of \$2,438,361; this amount increased to \$3,199,889 in FY02 with \$1,995,085 representing the required match and \$1,204,804 additional funding of marketing raised by the private sector. In 2000 the industry was restricted by program receipt authority in terms of how much could be contributed to the marketing program.

INDUSTRY PARTICIPATION IN MARKETING PROGRAM



INDUSTRY FUNDING OF TOURISM MARKETING EFFORTS



Public sector funds are the primary source (92%) of all tourism office funding and are the sole source in 35 states. Of the 15 states whose public sector funding is augmented by the private sector, including Alaska, 73% of total funds are provided by the public sector.

Forty-five states include industry advertising in the primary inquiry response brochure with some states now implementing online reservations.

Background and Strategies:

The tourism marketing program is developed by a broad-based group of more than 50 individuals representing businesses throughout the state. Specific focus is placed on year-round marketing and the needs of small businesses, which make up 92 percent of ATIA's membership. Some new programs added within the past two years include: representation in Australia, individual websites developed for adventure/ecotourism, sportfishing and cultural niches and the addition of national television advertising.

Outreach to businesses and organizations include regular delivery of an electronic newsletter sent to approximately 1,700 throughout the state. The annual meeting of industry has also seen continued growth: 571 delegates attended in 2000 and 660 attended in 2001. An industry website, www.alaskatia.org, also serves as a "clearinghouse" for important information on Alaska's visitor industry, national tourism industry and the state's marketing program.

ATIA also reaches out to civic and industry groups to increase awareness and participation in the statewide marketing program. Some of these groups include: Convention & Visitors Bureaus, Chambers of Commerce, member organizations such as the Statewide Association of Bed & Breakfasts, Museums Alaska and Community Economic Development Forums.

Measure:

Increase interest in Alaska as a visitor destination.

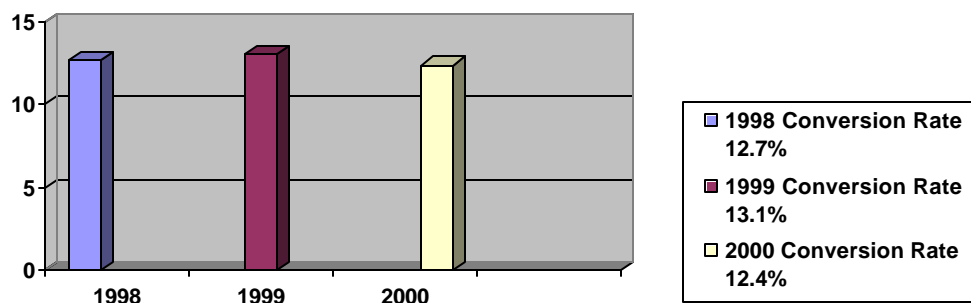
Alaska's Target & Progress:

Targets include:

- Establish a benchmark to track consumer interest in Alaska as a travel destination: The Images of Alaska 2000 research study tracks the behavior and attitudes of visitors to Alaska as well as non-visitors. This study establishes a benchmark to chart further growth and provides valuable information that can be used to refine Alaska's marketing messages and the vehicles used to deliver this message.
- Maintain the 12.4% rate at which interested parties convert to visitors: In FY02, the "visit Alaska" message was delivered to an estimated 72.8 million individuals, resulting in more than 612,000 individual consumers requesting Alaska trip-planning information. The conversion rate for the 2000 program year was 12.4%; meaning 12.4% of those requesting Alaska trip-planning information actually visited the state. Looking at the two-year conversion rate – those who indicate they will travel one year, but wait an additional year before actually traveling – the conversion rates increase to 19.4% for 1998 and 1999.

Individual media is being tracked for effectiveness. The annual Conversion Study is used to guide future marketing efforts and refine the effectiveness of the program as a whole. Comparisons may be made year-to-year, however, numbers vary based on different types of media used.

CONVERSION RATE



Benchmark Comparisons:

Not applicable.

Images 2000 study was completed and we found that the size of the potential Alaska visitor market in the U.S. has grown by 4.3 million during the last four years. 34.8 million U.S. adults meet the profile of a typical Alaska visitor.

Other highlights of the study include:

- Repeat visitors tend to return to the state an average of 3.6 times and stay longer than first time visitors.
- Use of the Internet as a trip-planning tool increased substantially, growing from 5% in 1996 to 44% in 2000.
- Alaska ranked third in terms of the next destination visitors are most likely to travel to in the next five years.

ATIA implemented domestic marketing programs to increase interest in travel to Alaska, including magazine, direct mail, newspaper, public relations efforts and internet marketing. New in FY02 was the addition of national cable television advertising. ATIA also implemented international marketing efforts, primarily targeting Japan, German Speaking Europe, United Kingdom and Australia; secondary markets include Taiwan and Korea.

ATIA assisted more than 1,000 individual travel writers in developing and placing Alaska travel stories and maintained an online media center, allowing media to access Alaska travel information and photography continuously – anywhere and anytime around the world.

Alaska is a difficult destination to sell. Therefore, a concerted effort is being made to reach travel agents and tour operators by directly sending them Alaska trip-planning information and developing a comprehensive Alaska Destination Specialist training course in partnership with the Institute of Certified Travel Agents (ICTA).

The number of requests for trip-planning information generated in FY01 exceeded 615,000.

Measure:

Attract a diverse mix of visitors who travel to and within Alaska.

Alaska's Target & Progress:

Target is to:

- Endeavor to position Alaska as a year-round destination;
- Increase travel by all modes; and
- Increase travel to all areas of the state.

Target is being met by implementing programs that focus on the following niche markets: winter, highway/ferry, adventure/ecotourism, sportfishing, cultural and Bed & Breakfasts.

Highway/Marine Highway: Ad featuring highway travel ran in national publications and 43,000 direct mail packages were sent to highway lists resulting in 64,000 requests for trip-planning information.

Adventure/Ecotourism: 60,000 email messages containing an adventure/ecotourism message were sent to targeted opt-in email lists, and five ads were placed in national publications, resulting in 21,000 requests for trip-planning information.

Sportfishing: targeted email messages were sent to sportfishing enthusiasts resulting in 8,000 requests for Alaska trip-planning information.

Benchmark Comparisons:

Alaska is positioned to offer many of the activities that are popular with visitors on a national basis.

TOP NATIONAL ACTIVITIES FOR U.S. TRAVELERS

Shopping	33%
Outdoor	17%
Historical/Museums	14%
Beach	10%
Cultural Events/Festivals	10%
National/State Parks	10%

Background and Strategies:

Winter: Advertising and collateral materials include both winter and summer images in order to position Alaska as a year-round destination.

- A separate winter section is included in the Official State Vacation Planner and on the Official State Website.
- Travel writers were brought to Alaska and will be encouraged to write about their winter experiences.
- Winter vacations are being marketed to Japanese travelers.

Highway/Marine Highway: A cooperative effort with Yukon, BC and Alberta focuses on highway and ferry travel. A North! to Alaska travel magazine is distributed to roughly 400,000 potential visitors interested in driving to Alaska. The state also partners with Tourism Yukon through a separate agreement in order to run joint advertisements in national magazines aimed at the rubber tire trade.

Adventure/Ecotourism: Backcountry adventures are highlighted as a separate section in the Vacation Planner. The www.adventuresalaska.com website is prominently displayed to encourage those receiving the Planner to also check out the niche website which provides additional information and access to Alaska businesses specializing in adventure or ecotourism.

Sportfishing: Partnering with producers and writers to increase the amount of national exposure generated on fishing in Alaska. Several television programs will air this year on ESPN-2 that showcase fishing in Kodiak and Southwest Alaska. The www.sportfishinginalaska.com website is also prominently displayed in the Vacation Planner and promoted.

Qualified Trade Association Contract
Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	0.0
73000 Contractual	4,800.0	4,655.2	4,005.1
74000 Supplies	0.0	0.0	0.0
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	4,800.0	4,655.2	4,005.1
Funding Sources:			
1004 General Fund Receipts	4,800.0	4,605.1	4,005.1
1007 Inter-Agency Receipts	0.0	50.1	0.0
Funding Totals	4,800.0	4,655.2	4,005.1

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
<u>Unrestricted Revenues</u>						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
<u>Restricted Revenues</u>						
Interagency Receipts	51015	0.0	50.1	0.0	0.0	0.0
Restricted Total		0.0	50.1	0.0	0.0	0.0
Total Estimated Revenues		0.0	50.1	0.0	0.0	0.0

Qualified Trade Association Contract

Proposed Changes in Levels of Service for FY2003

Reduce uncollectable I/A authorization. When the BRU for the Qualified Trade Association was established in FY 2001 from the former Division of Tourism, interagency receipts were transferred from the division. The Division of Tourism collected these receipts from the Department of Transportation for Tourism North and Scenic Byways projects. Since QTA is not a state agency, these funds cannot be collected as interagency receipts.

Reduce authorization. When tourism marketing was transferred to a qualified trade association (QTA) by statute in 1999, 30% of the marketing budget was to be raised by the QTA. By statute (AS 44.33.125(a)), this percentage increases to 60% in the FY03 contract. Assuming the tourism industry can generate the contribution assumed under the Millennium Plan, based on the Plan's projected total budget of \$10 million, the State's share of the budget will be reduced from \$4.6 million to \$4.0 million.

Summary of Component Budget Changes

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	4,605.1	0.0	50.1	4,655.2
Proposed budget decreases:				
-Reduce uncollectable I/A authorization	0.0	0.0	-50.1	-50.1
-Reduce authorization per statute (AS 44.33.125(a))	-600.0	0.0	0.0	-600.0
FY2003 Governor	4,005.1	0.0	0.0	4,005.1

BRU/Component: Investments

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

Contact: Greg Winegar, Director

Tel: (907) 465-2510 Fax: (907) 465-2690 E-mail: greg_winegar@dced.state.ak.us

Component Mission

The mission of the Division of Investments is to:

5. promote economic development through direct state lending within those industries that are not adequately serviced by the private sector; and
6. provide interagency and interdepartmental loan servicing of other loan portfolios.

Component Services Provided

Provides direct State lending in four active loan programs: Commercial Fishing, Fisheries Enhancement, Small Business Economic Development and the Rural Development Initiative Fund Loan Program. These programs provide financing in industries and areas for which loans are not readily available from the private sector. The Division also services loans for nine inactive loan programs administered by the Department, as well as another six portfolios for the Alaska Industrial Development & Export Authority, the Departments of Health & Social Services, Environmental Conservation, and Military & Veterans Affairs. Loan servicing consists of processing assumption, refinance, and maintenance requests, such as subordination's and collateral releases, payment collection, credit reporting, commercial and mortgage loan accounting, delinquent loan collection, foreclosure and bankruptcy management, repossessed property management and resale, hazardous waste investigation, and investor remittance.

The Division offers loan servicing for other agencies because the combined functions of loan approval, servicing, collections, and data processing can be performed more efficiently when consolidated into one agency. The complexities involved in some of these functions (e.g., bankruptcies, foreclosure, hazardous waste investigation, and repossessed properties) require a level of expertise that is financially and logistically easier to support when consolidated.

As of June 30, 2001, the Division of Investments was servicing 3,431 accounts totaling \$214,798,100.

Component Goals and Strategies

To make loans directly to qualified residents for programs established by the Alaska Legislature.

- Encourage a predominantly resident fishery by providing loans for the purchase of limited entry permits, quota shares, vessels, and gear.
- Offer refinancing for commercial fishing boat loans.
- Offer loans for the operation of existing hatcheries.
- Create or save jobs through direct state lending to Alaskans.

To service efficiently the loan programs that are administered by the Department of Community & Economic Development, ensuring the greatest return on investment that is consistent with public policy.

- Collect money due the loan programs.
- Reduce or maintain the delinquency rates.
- Maintain the average processing times for loan and loan extension applications.
- Maintain the accuracy and timeliness of response to all customer service requests.

To act as a loan-servicing agency for many of the State's loan programs, ensuring the greatest return on investment that is consistent with public policy.

- Collect money due the loan programs.
- Reduce or maintain the delinquency rates.
- Maintain the average processing times for loan and loan extension applications.
- Maintain the accuracy and timeliness of response to all customer service requests.

Key Component Issues for FY2002 – 2003

The commercial fishing industry continues in flux as world markets adapt to the changing supply of fish from fish farms as well as the more traditional fishing fleets. The salmon markets have been significantly affected, and as a result they have been extremely volatile for the past several years. It is important that Alaska maintains its place in the worldwide salmon market during these changing times to assure our place for the future. Both the Commercial Fishing Revolving Loan Fund (CFRLF) and the Fisheries Enhancement Revolving Loan Fund (FERLF) depend heavily on the fish runs and the profitability of the fishing industry. It is difficult to project the cash flow for the CFRLF and the FERLF funds, as loan demand and repayments vary according to the level of success achieved by harvesters during the prior season. A large number of harvesters experienced extreme financial hardship in the 2001 season due to low salmon prices and limited commercial fishing opportunities in some fisheries.

RURAL DEVELOPMENT INITIATIVE FUND

The Division entered into a memorandum of agreement with the Alaska Industrial Development and Export Authority to administer the new Rural Development Initiative Fund. This program was created by the legislature during the 2000 legislative session to provide loans to individuals developing businesses in communities of 5,000 or less. The Division has approved four loans for \$598,683 and anticipates making a total of \$2,000,000 worth of loans by the end of FY03.

NEW LOAN SERVICING SOFTWARE REPLACEMENT PROJECT

The Division has submitted a capital request to replace its' existing, antiquated Mortgage Loans Extended (MLX) loan servicing system. This system was originally acquired from its vendor, Florida Software, in the early 1980s and was last updated by that vendor in 1984. This vendor is no longer in business, and as a result, in-house staff has maintained and made all modifications to the system since that time.

This project will add additional functionality not presently available in the area of loan origination (application tracking, document creation and management). The replacement software will also provide a greatly enhanced ability to track the status of new/modification loan applications, and provide improved servicing of loans during their repayment cycle. In addition, the project will increase the accuracy and productivity of work performed by the division and will make use of the Internet to allow borrowers to access loan account information.

Major Component Accomplishments in 2001

TAX OBLIGATION LOAN PROGRAM

The Commercial Fishing Revolving Loan Fund was amended by the 2000 legislature to allow the Division to make loans to Alaskan commercial fishing harvesters to pay past due federal tax obligations that could result in the loss of a limited entry permit through a foreclosure action. This program took affect August 1st, 2000 and expires July 31, 2002. The maximum loan amount is \$30,000 for each borrower and the Division anticipates a loan demand of approximately \$1,500,000 over the two-year period. During FY01, 15 loans were approved and processed for a total dollar amount of \$316,335.00.

VOLUNTEER TAX AND LOAN PROGRAM

The Division supported the Volunteer Tax and Loan Program (VTLP) through a contract for fisheries business development to the Alaska Business Development Center, Inc. (ABDC). Seventeen trips were made during FY01 to assist 33 communities in five Alaskan regions (Interior, Western, Southeast, Bristol Bay and Kodiak). Teams comprised of advanced accounting students, IRS tax supervisors and ABDC consultants traveled to each community to provide tax preparation and loan package assistance as well as business and financial counseling. Overall, ABDC's VTLP assisted

2,938 individuals and prepared 1,388 returns. The Division received national recognition in August of 2001 when the VTLP was selected by the National Association of Development Organizations (NADO) to receive a 2001 Innovation award.

Statutory and Regulatory Authority

AS 45.88.010-.050, .500	Alternative Energy Revolving Loan Fund
AS 44.33.240-.275	Child Care Facility Revolving Loan Fund
AS 16.10.300-.370	Commercial Fishing Loan Act
AS 16.10.500-.620	Fisheries Enhancement Revolving Loan Fund
AS 45.98.010-.070	Historical District Revolving Loan Fund
AS 27.09.010-.060	Mining Loan Fund
AS 45.89.010-.070, .500	Residential Energy Conservation Fund
AS 45.95.010-.080	Small Business Revolving Loan Fund
AS 26.15.010-.170	WWII Veterans Revolving Fund
AS 44.88.400-.430	Small Business Economic Development Rev.Loan Fund
AS 44.47.800-.820	Rural Development Initiative Fund
AS 44.33.020	Dept. of Community and Economic Development
3 AAC 41.010-.900	Veterans Loan Assumptions
3 AAC 77.010-.900	Repossessioned Property
3 AAC 78.010-.900	Alternative Energy Loans
3 AAC 79.010-.900	Residential Energy Conservation
3 AAC 80.010-.900	Commercial Fishing Loans
3 AAC 81.010-.900	Fisheries Enhancement Loans & Grants
3 AAC 82.010-.900	Child Care Facility Loans
3 AAC 83.010-.900	Historical District Loans
3 AAC 86.010-.900	Small Business Loan Assumptions
3 AAC 87.010-.900	Mining Loans
3 AAC 89.010-.900	Fisheries Enhancement Tax Appropriation
3 AAC 99.800-.820	Small Business Economic Development Loans
3 AAC 170.010-.900	Rural Development Initiative Fund

Key Performance Measures for FY2003

Measure:

The number of new or retained jobs in the state per loan made from the Small Business Economic Development Revolving Loan Fund.

Sec 27(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

During fiscal year FY01, \$85,000 was loaned to Alaska small businesses. There were 41 new jobs created. Currently, the majority of grant funds have been utilized. The division will continue to make loans from repayments received on existing loans.

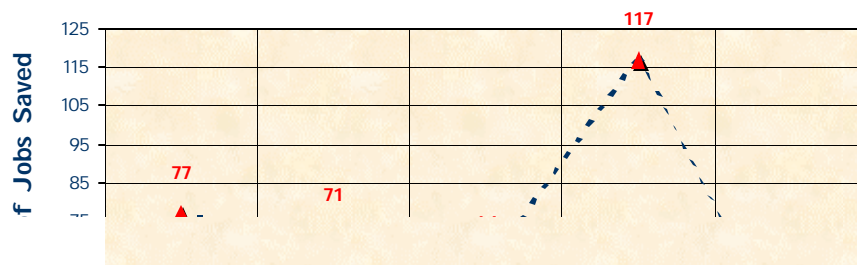
During FY00, \$507,522 was loaned to Alaska small businesses. 117 jobs were created and 8 were saved.

During FY99, \$589,900 was loaned to Alaska small businesses. 64 jobs were created and/or saved.

During FY98, \$919,300 was loaned to Alaska small businesses. 71 jobs were created and/or saved.

During FY97, \$250,000 was loaned to Alaska small businesses. 77 jobs were created and/or saved.

Small Business Economic Development Revolving Loan Fund



In many areas of the state, individuals wishing to start a small business have had virtually no chance of receiving financing without assistance from a program such as this. In June 1988 the Economic Development Administration (EDA) approved the Alaska Department of Commerce and Economic Development's original application to establish a Revolving Loan Fund (RLF). The funding approved for the original RLF totaled \$600,000 (\$350,000 from EDA and \$250,000 from the State of Alaska). In 1992 the fund was recapitalized with an additional EDA Grant, in the amount of \$450,000 and matching state funds in the amount of \$200,000. The RLF program has proven to be a very useful tool in the Department's overall rural small business and economic development program. In 1998 the department applied for and was awarded a \$600,000 grant to recapitalize this program. The grant was awarded by the EDA and was matched with \$200,000 from the Alaska Industrial Development and Export Authority to provide a total of \$800,000 for new loans. Currently, the majority of grant funds received for this program have been utilized. The division anticipates requesting additional grants in the future and will continue to make loans from repayments received on existing loans. In the past fiscal year one loan was made, resulting in the creation of 41 jobs in an area of the State that experienced low per capita income or high unemployment. This division will continue to provide this financing by:

- Marketing this program through brochures, conferences, outreach visitation and the Alaska Business Development Center.
- Participating in the Economic Development Funding Forum, talking with other lenders regarding this program.
- Continuing to improve our presence on the Internet by making the loan program information available for viewing and downloading application forms.
- Utilizing the rural staff of the Division of Community and Business Development (CBD) to promote this program.

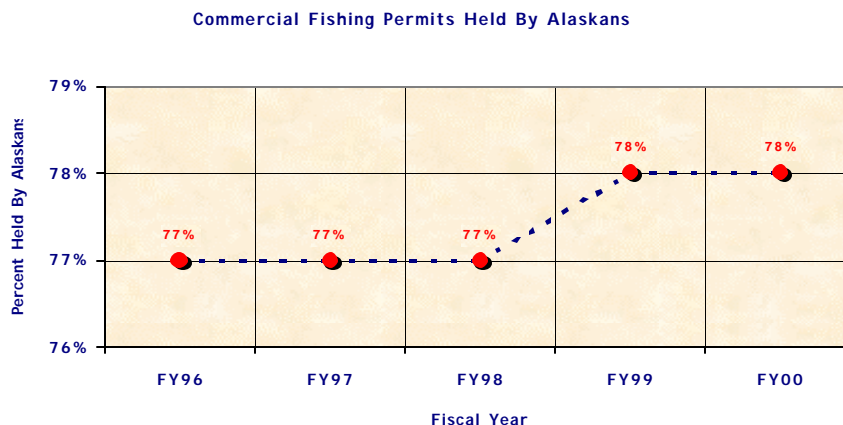
Measure:

Whether the division maintains the proportion of commercial fishing permits held by Alaskans at 75% or higher through the Commercial Fishing Revolving Loan Fund.

Sec 27(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

In FY99 and FY00 (the most recent figures available), the proportion of permits held by Alaskans was 78%. From FY96 to FY98, the proportion of permits held by Alaskans was 77%.



Benchmark Comparisons:

Other than our twenty-five year loan history, there are no other programs similar to this loan program.

Background and Strategies:

The commercial fishing industry continues in flux as world markets adapt to the changing supply of fish from fish farms as well as the more traditional fishing fleets. The salmon markets have been significantly affected, and as a result, they have been extremely volatile for the past several years. It is important that Alaska maintains its place in the worldwide salmon market during these changing times to assure our place for the future. This loan program offers a

relatively modest financing program for Alaska resident commercial fishing harvesters. The division's effort is to maintain the proportion of commercial fishing permits held by Alaskans at 75% or higher. To achieve this goal this division will:

- Work with Alaska resident fishermen requesting financing for the purchase of permits.
- Work with Alaska resident fishermen requesting financing for gear, vessel upgrades and/or improvements.
- Travel to fishing communities all over the state to assist them in their planning for financing their on-going fishing businesses.
- Travel to fishing communities all over the state to assist them in solving tax related problems.
- Continue to work with the Alaska Business Development Center, assisting fishermen through our Fisheries Business Assistance Contract.

Measure:

Whether the division provides hatchery-reared salmon to Alaska commercial fisheries at a harvest value of \$40,000,000 or more per year through the Fisheries Enhancement Revolving Loan Fund.

Sec 27(b)(3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

During calendar year 2000 (the most current information available), the harvest value of the hatchery-reared salmon was \$57M, an increase of over ten million for the calendar year 1999 harvest value. Preliminary Alaska Department of Fish & Game figures for the 2001 season put the number somewhere around \$32M, a substantial decrease from prior years due to the decreasing price of salmon.

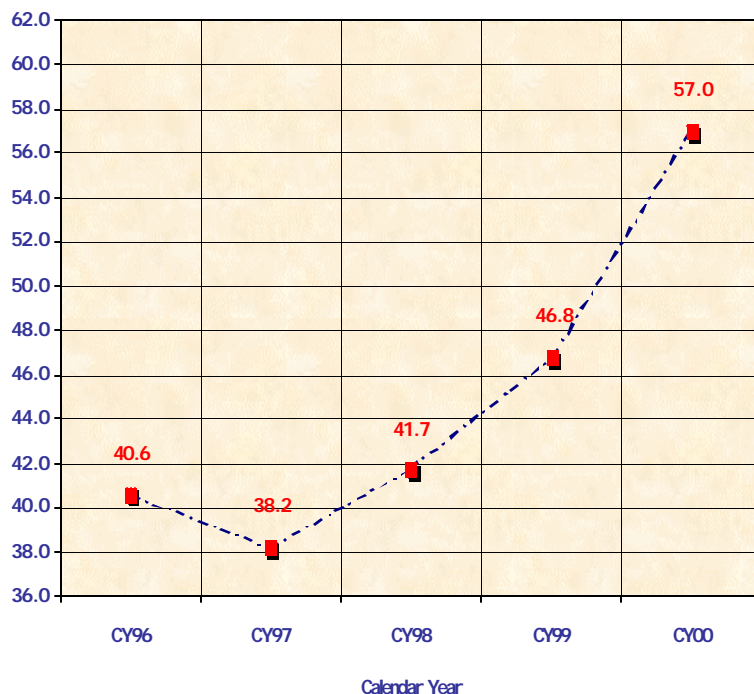
During CY99, the harvest value of the hatchery-reared salmon was \$46.8M.

During CY98, the harvest value of the hatchery-reared salmon was \$41.7M.

During CY97, the harvest value of the hatchery-reared salmon was \$38.2M.

During CY96, the harvest value of the hatchery-reared salmon was \$40.6M.

Fisheries Enhancement Statistics
(In Millions)



Benchmark Comparisons:

There is no comparable program.

In 1976, the Alaska Legislature responded to the need for increased production of salmon by creating the Fisheries Enhancement Revolving Loan Fund (FERLF). The purpose of this program was to promote enhancement of the State's fisheries. This division will continue to promote this enhancement by:

- Granting long-term, low interest loans for hatchery planning, construction and operation.
- Providing grants to Regional Corporations for organization and planning purposes.
- Work with hatcheries to insure that adequate funds are available for their continued operation.

Investments

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	2,121.1	2,373.1	2,465.7
72000 Travel	42.9	31.2	31.2
73000 Contractual	819.4	932.4	932.4
74000 Supplies	105.0	37.9	37.9
75000 Equipment	62.2	4.8	4.8
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	20.0	10.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	3,150.6	3,399.4	3,482.0
Funding Sources:			
1007 Inter-Agency Receipts	53.4	48.9	8.2
1035 Veterans Revolving Loan Fund	93.6	107.4	61.7
1036 Commercial Fishing Loan Fund	2,502.3	2,698.8	2,823.2
1057 Small Business Loan Fund	3.3	3.4	3.5
1067 Mining Revolving Loan Fund	5.0	5.1	5.2
1068 Child Care Revolving Loan Fund	5.8	6.0	6.2
1069 Historical District Revolving Loan Fund	2.5	2.5	2.5
1070 Fisheries Enhancement Revolving Loan Fund	333.0	332.6	340.7
1071 Alternative Energy Revolving Loan Fund	151.7	151.7	144.9
1164 Rural Development Initiative Fund	0.0	43.0	44.0
1170 Small Business Economic Development Revolving Loan Fund	0.0	0.0	41.9
Funding Totals	3,150.6	3,399.4	3,482.0

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
General Fund Program Receipts	51060	0.1	0.0	0.0	0.0	0.0
Unrestricted Total		0.1	0.0	0.0	0.0	0.0
Restricted Revenues						
Interagency Receipts	51015	53.4	48.9	48.9	8.2	8.2
Veterans Revolving Loan Fund	51095	93.6	107.4	107.4	61.7	61.7
Commercial Fishing Loan Fund	51100	2,502.3	2,698.8	2,698.8	2,823.2	2,823.2
Small Business Loan Fund	51180	3.3	3.4	3.4	3.5	3.5
Mining Revolving Loan Fund	51230	5.0	5.1	5.1	5.2	5.2

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Child Care Revolving Loan Fund	51235	5.8	6.0	6.0	6.2	6.2
Historical District Revolving Loan Fund	51240	2.5	2.5	2.5	2.5	2.5
Fisheries Enhance. Revolving Loan Fund	51245	333.0	332.6	332.6	340.7	340.7
Alternative Energy Revolving Loan Fund	51250	151.7	151.7	151.7	144.9	144.9
Rural Development Initiative Fund (2000)	51435	0.0	43.0	43.0	44.0	44.0
Small Business Dev Revolving Loan Fund	51467	0.0	0.0	0.0	41.9	41.9
Restricted Total		3,150.6	3,399.4	3,399.4	3,482.0	3,482.0
Total Estimated Revenues		3,150.7	3,399.4	3,399.4	3,482.0	3,482.0

Investments

Proposed Changes in Levels of Service for FY2003

None.

Summary of Component Budget Changes

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	0.0	3,399.4	3,399.4
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	0.0	0.0	82.6	82.6
FY2003 Governor	0.0	0.0	3,482.0	3,482.0

Investments

Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	44	44	Annual Salaries	1,859,574
Part-time	0	0	COLA	43,759
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	702,926
			<i>Less 5.39% Vacancy Factor</i>	(140,605)
			Lump Sum Premium Pay	0
Totals	44	44	Total Personal Services	2,465,654

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant IV	0	0	1	0	1
Accounting Spvr II	0	0	1	0	1
Accounting Tech I	0	0	5	0	5
Accounting Tech II	0	0	2	0	2
Accounting Tech III	0	0	3	0	3
Administrative Assistant	0	0	1	0	1
Administrative Clerk I	0	0	1	0	1
Administrative Clerk II	0	0	1	0	1
Administrative Clerk III	1	0	1	0	2
Administrative Manager II	0	0	1	0	1
Analyst/Programmer I	0	0	1	0	1
Analyst/Programmer III	0	0	1	0	1
Analyst/Programmer IV	0	0	1	0	1
Analyst/Programmer V	0	0	1	0	1
Division Director	0	0	1	0	1
Loan Closer/Processor I	0	0	2	0	2
Loan Closer/Processor II	1	0	3	0	4
Loan Closer/Processor III	0	0	1	0	1
Loan/Collection Manager	0	0	2	0	2
Loan/Collection Off I	2	0	4	0	6
Loan/Collection Off II	1	0	4	0	5
Publications Spec I	0	0	1	0	1
Totals	5	0	39	0	44

Alaska Aerospace Development Corporation Budget Request Unit

Contact: Pat Ladner, Executive Director

Tel: (907) 561-3338 **Fax:** (907) 561-3339 **E-mail:** pat.ladner@akaerospace.com

BRU Mission

To promote aerospace related economic growth and to develop corresponding technologies and support services.

To oversee the operation and maintenance of the Kodiak Launch Complex.

BRU Services Provided

Provide rocket launch services to government and commercial customers, assist university, federal, and private organizations in developing aerospace technologies, provide educational opportunities within the state and promote Alaska as the ideal location for aerospace activities.

BRU Goals and Strategies

Guide existing programs to demonstrate success at the Kodiak Launch Complex, and as such, garner new launch contracts providing long-term Alaska business.

Encourage commercial ground station development in Fairbanks due to expanding remote sensing industry and advanced imagery processes.

To continue development of KLC.

- Promote use of Alaska's spaceport while continuing to secure and broaden the KLC launch customer base.
- Continue implementation of marketing and commercialization of KLC.
- Install two range safety systems - one at KLC and a second down range (Cordova is targeted location).
- Proactively explore KLC site development opportunities in national and commercial arenas.

To increase local opportunities to support aerospace activities.

- Continue to encourage local opportunities to support launch operations.
- Encourage aerospace industry to develop ongoing business presence within the State.
- Utilize local contractors to support launch missions from the KLC.
- Begin acquiring necessary components to develop a short-term and long-term land use plan at KLC site; promoting spin-off resources to support launch customers.

To provide educational opportunities throughout the state.

- Encourage launch customers to visit local schools and provide educational information related to launch missions from the KLC.
- Develop curriculum to conduct school hands-on tours of KLC.
- Research opportunities to create a student mentorship program.

To provide for the operations, maintenance and repair costs of the Kodiak Launch Complex.

Key BRU Issues for FY2002 – 2003

AADC continues to focus on marketing the Kodiak Launch Complex (KLC). The KLC is in full operational mode and continues to serve our launch customers. Should the US Congress so choose, AADC may enter discussions and begin planning for support to the Ballistic Missile Defense Organization's testing program.

AADC will focus on managing the Kodiak Launch Complex operations and maintenance in a cost-effective manner utilizing a combination of staff support and contractual launch support services.

Major BRU Accomplishments in 2001

OPERATIONS

1. Successful launch Air Force Quick Reaction Launch Vehicle (QRLV-1) in Mar 01.
2. Support Lockheed Martin Corporation launch effort for KODIAK STAR for Sept 01.
3. Support Army Strategic Target Systems (STARS) effort for Nov. 01 launch.
4. Prepare Specifications and procurement documents for contract aware for two Range Safety Systems.
5. Awarded contract for Launch Support Services to local Alaskan Company.
6. KLC facility mission related upgrade (Customer Funded):

KLC FACILITY (Customer funded mission related upgrades):

1. STARS:
 - Completed \$1M upgrades to the Space Craft Assembly & Transfer (SCAT) Building.
 - Completed \$170 K road improvements which contract was awarded to local Alaskan Company.
2. LMA/NASA:
 - Completed facility wide improvements totaling \$1.5 M.
3. Launch Campaigns:
 - US Army STARS: Successfully completed a mechanical and electrical pathfinders.
 - US Air Force QRLV 1: Successful launch March 22, 2001.
 - Lockheed Martin/NASA: Launch campaign began May 01.
4. KLC Facility Reviews:
 - Initiated an OSHA consultation review.

Key Performance Measures for FY2003

Measure:

The excess earnings (or dividend) per launch.
Sec 28(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

FY01 was the first fully operational year for the Kodiak Launch Complex (KLC). There were two successful launches. Three launches are contracted for and scheduled for FY02. AADC projects a minimum of two launches for FY03. Should three launches be accomplished, AADC projects average earnings of \$100,000 per launch. The earnings are budgeted as capital replacement reserves for maintaining the KLC in operational status.

Benchmark Comparisons:

Not applicable. The KLC is the first facility of its kind - the only complete launch complex owned and operated by a state.

Background and Strategies:

Earnings per launch are a management and project control outcome. AADC intends to put an independent finance and accounting system in place to facilitate our business practices.

Measure:

The new permanent jobs created.
Sec 28(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

In FY02, AADC employed 7 personnel directly on a full time basis. AADC also contracts for technical services and labor. This consists of 2 full time technical positions and 5 temporary. AADC also contracts for part time technical and labor positions. This consists of two part time technical positions and approximately six part time positions. For FY03, AADC projects a total of full time permanent positions of 14 and part time positions of eight.

Benchmark Comparisons:

There is no data available for comparison from other states.

As AADC continues to grow, the opportunity to hire the temporary positions is a constant focus point. With growth comes job security and permanent positions for Alaskan's.

There are private sector jobs that benefit from the KLC operation. The money that is generated from KLC expenditures benefit Kodiak directly. AADC has utilized services from ENRI in regards to environmental monitoring and weather monitoring. Additional companies that benefit from the operation of KLC are Doyon, Purcell, D & E Services, Kodiak Transfer Inc., and Rise.

Measure:

The number of launches per year.

Sec 28(b)(3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

FY01 was the first fully operational year for the Kodiak Launch Complex (KLC). There were two successful launches. Three launches are contracted for and scheduled for FY02.

AADC's goal for FY03 is to support three launch campaigns.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

AADC will continue its marketing with a focus on defense related launches. The commercial market is flat at this time.

Measure:

The new space related projects brought to the state.

Sec 28(b)(4) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

AADC intends to provide support to the US Department of Defense, Ballistic Missile Defense Organization (BMDO) infrastructure development at the KLC.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

Ballistic Missile Defense Organization is contemplating the use of KLC for testing. AADC will endeavor to support this examination with the goal of securing an on going program.

Measure:

The economic impact of launch activities expressed in dollars per launch.

Sec 28(b)(5) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Previous Institute for Social and Economic Research (ISER) revealed an economic impact of approximately \$900,000 per launch. Additional studies will be conducted only if funding is available.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

AADC has used the ISER to research the impact. The information proved very useful. However, funding for additional research is not currently in the AADC budget.

Alaska Aerospace Development Corporation

BRU Financial Summary by Component

All dollars in thousands

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Formula												
Expenditures												
None.												
Non-Formula												
Expenditures												
AADC	0.0	0.0	0.0	0.0	0.0	0.0	9,000.0	9,000.0	0.0	0.0	9,000.0	9,000.0
Language												
AK Aerospace	0.0	0.0	761.7	761.7	0.0	0.0	858.1	858.1	0.0	0.0	1,348.4	1,348.4
Development												
Corp												
AADC Facilities	0.0	0.0	3,962.9	3,962.9	0.0	0.0	3,791.1	3,791.1	0.0	0.0	4,264.1	4,264.1
Maintenance												
Totals	0.0	0.0	4,724.6	4,724.6	0.0	0.0	13,649.2	13,649.2	0.0	0.0	14,612.5	14,612.5

Alaska Aerospace Development Corporation

Proposed Changes in Levels of Service for FY2003

Continued growth and future launch contracts has determined the need for four additional staff positions and related expenses to be added to support the administration, operations, and maintenance demands of the corporation. Increments are requested that would fund two positions in Anchorage, an Accounting Technician and a Contracts Manager. The remaining two positions would be a Deputy Director and a Health and Safety Manager at the Kodiak Launch Complex. Funding source is AADC corporate receipts.

The earnings from ASTF's endowment have dropped significantly the last two years. Endowment earnings have dropped from \$10.4 million in Fiscal Year 2000 to \$5.2 million in Fiscal Year 2001. As a result, the portion of ASTF earnings that went to non-ASTF programs including AADC, increased from 31 to 62 percent. This significantly reduced funding for ASTF and its mission. A fund source change moves that portion of AADC funding that was from the ASTF Endowment funding to CIP Receipts.

Alaska Aerospace Development Corporation

Summary of BRU Budget Changes by Component

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	0.0	13,649.2	13,649.2
Adjustments which will continue current level of service:				
-AK Aerospace Development Corp	0.0	0.0	24.8	24.8
-AADC Facilities Maintenance	0.0	0.0	21.4	21.4
Proposed budget increases:				
-AK Aerospace Development Corp	0.0	0.0	465.5	465.5
-AADC Facilities Maintenance	0.0	0.0	451.6	451.6
FY2003 Governor	0.0	0.0	14,612.5	14,612.5

Component: Alaska Aerospace Development Corporation

Contact: Pat Ladner, Executive Director

Tel: (907) 561-3338 **Fax:** (907) 561-3339 **E-mail:** pat.ladner@akaerospace.com

Component Mission

To promote aerospace related economic growth and to develop corresponding technologies and support services.

Component Services Provided

Provide rocket launch services to government and commercial customers, assist university, federal, and private organizations in developing aerospace technologies, provide educational opportunities within the state, and promote Alaska as the ideal location for aerospace activities.

Component Goals and Strategies

Guide existing programs to demonstrate success at the Kodiak Launch Complex, and as such, garner new launch contracts providing long-term Alaska business.

Encourage commercial ground station development in Fairbanks due to expanding remote sensing industry and advanced imagery processes.

To continue development of KLC.

- Promote use of Alaska's spaceport while continuing to secure and broaden the KLC launch customer base.
- Continue implementation of marketing and commercialization of KLC.
- Install two range safety systems - one at KLC and a second down range (Cordova is targeted location).
- Proactively explore KLC site development opportunities in national and commercial arenas.

To increase local opportunities to support aerospace activities.

- Continue to encourage local opportunities to support launch operations.
- Encourage aerospace industry to develop ongoing business presence within the State.
- Utilize local contractors to support launch missions from the KLC.
- Begin acquiring necessary components to develop a short-term and long-term land use plan at KLC site; promoting spin-off resources to support launch customers.

To provide educational opportunities throughout the state.

- Encourage launch customers to visit local schools and provide educational information related to launch missions from the KLC.
- Develop curriculum to conduct school hands-on tours of KLC.
- Research opportunities to create a student mentorship program.

Key Component Issues for FY2002 – 2003

AADC continues to focus on marketing the Kodiak Launch Complex (KLC). The KLC is in full operational mode and continues to serve our launch customers. Should the US Congress so choose, AADC may enter discussions and begin planning for support to the Ballistic Missile Defense Organization's testing program.

Major Component Accomplishments in 2001

5. Successful launch Air Force Quick Reaction Launch Vehicle (QRLV-1) in Mar 01.
6. Support Lockheed Martin Corporation launch effort for KODIAK STAR for Sept 01.
7. Support Army Strategic Target Systems (STARS) effort for Nov. 01 launch.
8. Prepare Specifications and procurement documents for contract aware for two Range Safety Systems.
9. Awarded contract for Launch Support Services to local Alaskan Company.

Statutory and Regulatory Authority

AS 14.40-821-990 Alaska Aerospace Development Corporation

Alaska Aerospace Development Corporation

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	431.9	566.4	744.9
72000 Travel	57.3	66.7	91.1
73000 Contractual	246.5	207.0	424.4
74000 Supplies	7.5	7.0	21.0
75000 Equipment	18.5	11.0	67.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	761.7	858.1	1,348.4
Funding Sources:			
1025 Science & Technology Endowment Income	555.2	497.0	0.0
1061 Capital Improvement Project Receipts	142.8	110.4	611.9
1101 Alaska Aerospace Development Corporation Receipts	63.7	250.7	736.5
Funding Totals	761.7	858.1	1,348.4

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
Restricted Revenues						
Capital Improvement Project Receipts	51200	142.8	110.4	110.4	611.9	611.9
Science/Technology Endowment Income	51375	555.2	497.0	497.0	0.0	0.0
Aerospace Development Corporate Receipts	51416	63.7	250.7	250.7	736.5	736.5
Restricted Total		761.7	858.1	858.1	1,348.4	1,348.4
Total Estimated Revenues		761.7	858.1	858.1	1,348.4	1,348.4

Alaska Aerospace Development Corporation

Proposed Changes in Levels of Service for FY2003

Continued growth and future launch contracts has determined the need for two additional staff positions and related expenses to be added to support the administration and operations demands of the corporation. An increment is requested that would fund two positions in Anchorage, an Accounting Technician and a Contracts Manager. Funding source is AADC corporate receipts.

The earnings from ASTF's endowment have dropped significantly the last two years. Endowment earnings have dropped from \$10.4 million in Fiscal Year 2000 to \$5.2 million in Fiscal Year 2001. As a result, the portion of ASTF earnings that went to non-ASTF programs including AADC, increased from 31 to 62 percent. This significantly reduced funding for ASTF and its mission. A fund source change moves that portion of AADC funding that was from the ASTF Endowment funding to CIP Receipts.

Summary of Component Budget Changes

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	0.0	858.1	858.1
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	0.0	0.0	24.8	24.8
Proposed budget increases:				
-New Positions and related costs	0.0	0.0	160.5	160.5
-Increased Operating Costs	0.0	0.0	305.0	305.0
FY2003 Governor	0.0	0.0	1,348.4	1,348.4

Alaska Aerospace Development Corporation

Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	7	9	Annual Salaries	561,277
Part-time	0	0	COLA	20,040
Nonpermanent	0	0	Premium Pay	8,870
			Annual Benefits	177,664
			Less 2.99% Vacancy Factor	(22,951)
			Lump Sum Premium Pay	0
Totals	7	9	Total Personal Services	744,900

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Tech II	0	0	1	0	1
Budget Manager	1	0	0	0	1
Contracting Officer IV	0	0	1	0	1
Deputy Director	1	0	0	0	1
Dir of Business Operations	1	0	0	0	1
Director of Administration	1	0	0	0	1
Executive Director	1	0	0	0	1
Procurement Spec V	1	0	0	0	1
Secretary	1	0	0	0	1
Totals	7	0	2	0	9

Component: Alaska Aerospace Development Corporation Facilities Maintenance

Contact: Pat Ladner, Executive Director

Tel: (907) 561-3338 **Fax:** (907) 561-3339 **E-mail:** pat.ladner@akaerospace.com

Component Mission

To oversee the operation and maintenance of the Kodiak Launch Complex.

Component Services Provided

The purpose of this component is to provide for the operations, maintenance and repair costs of the Kodiak Launch Complex.

Component Goals and Strategies

Effectively demonstrate KLC's assets, features and benefits as Alaska's ability to redefine launch services in the US; providing cost effective access to space.

To manage the KLC facilities in a cost-effective manner utilizing a combination of staff support and contractual launch support services.

Add a maintenance building.

Key Component Issues for FY2002 – 2003

AADC will focus on managing the Kodiak Launch Complex operations and maintenance in a cost-effective manner utilizing a combination of staff support and contractual launch support services.

Major Component Accomplishments in 2001

KLC facility mission related upgrade (Customer Funded):

STARS:

Completed \$1M upgrades to the Space Craft Assembly & Transfer (SCAT) Building.

Completed \$170 K road improvements which contract was awarded to local Alaskan Company.

LMA/NASA:

Completed facility wide improvements totaling \$1.5 M.

Launch Campaigns:

US Army STARS: Successfully completed a mechanical and electrical pathfinders.

US Air Force QRLV 1: Successful launch March 22, 2001.

Lockheed Martin/NASA: Launch campaign began May 01.

KLC Facility Reviews:

Initiated an OSHA consultation review.

Statutory and Regulatory Authority

AS 14.40-821-990 Alaska Aerospace Development Corporation, AS 37.07.020(e)

Alaska Aerospace Development Corporation Facilities Maintenance

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	256.0	519.7	748.5
72000 Travel	63.1	9.0	75.0
73000 Contractual	2,281.9	3,202.8	3,211.7
74000 Supplies	176.0	47.0	76.0
75000 Equipment	1,185.9	12.6	152.9
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	3,962.9	3,791.1	4,264.1
Funding Sources:			
1025 Science & Technology Endowment Income	0.0	69.2	0.0
1061 Capital Improvement Project Receipts	893.4	72.0	145.9
1101 Alaska Aerospace Development Corporation Receipts	3,069.5	3,649.9	4,118.2
Funding Totals	3,962.9	3,791.1	4,264.1

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
Restricted Revenues						
Capital Improvement Project Receipts	51200	893.4	72.0	72.0	145.9	145.9
Science/Technology Endowment Income	51375	0.0	69.2	69.2	0.0	0.0
Aerospace Development Corporate Receipts	51416	3,069.5	3,649.9	3,649.9	4,118.2	4,118.2
Restricted Total		3,962.9	3,791.1	3,791.1	4,264.1	4,264.1
Total Estimated Revenues		3,962.9	3,791.1	3,791.1	4,264.1	4,264.1

Alaska Aerospace Development Corporation Facilities Maintenance

Proposed Changes in Levels of Service for FY2003

Continued growth and future launch contracts has determined the need for two additional staff positions and related expenses to be added to support the administration, operations, and maintenance demands of the corporation. An increment is requested that would fund two positions, a Deputy Director and a Health and Safety Manager, at the Kodiak Launch Complex. Funding source is AADC corporate receipts.

The earnings from ASTF's endowment have dropped significantly the last two years. Endowment earnings have dropped from \$10.4 million in Fiscal Year 2000 to \$5.2 million in Fiscal Year 2001. As a result, the portion of ASTF earnings that went to non-ASTF programs including AADC, increased from 31 to 62 percent. This significantly reduced funding for ASTF and its mission. A fund source change moves that portion of AADC funding that was from the ASTF Endowment funding to CIP Receipts.

Summary of Component Budget Changes

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	0.0	3,791.1	3,791.1
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	0.0	0.0	21.4	21.4
Proposed budget increases:				
-New Positions and related costs	0.0	0.0	234.3	234.3
-Increased Operating Costs	0.0	0.0	217.3	217.3
FY2003 Governor	0.0	0.0	4,264.1	4,264.1

Alaska Aerospace Development Corporation Facilities Maintenance

Personal Services Information

Authorized Positions			Personal Services Costs	
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	7	9	Annual Salaries	563,844
Part-time	0	0	COLA	19,978
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	178,511
			<i>Less 1.81% Vacancy Factor</i>	(13,833)
			Lump Sum Premium Pay	0
Totals	7	9	Total Personal Services	748,500

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Deputy Director	0	0	1	0	1
Documentation Specialist	0	0	0	1	1
Health and Safety Officer	0	0	1	0	1
KLC Electrical Maint Spvr	0	0	0	1	1
KLC Facility Engineer	0	0	0	1	1
KLC Maint Tech/Ppf	0	0	0	1	1
KLC Mechanical Maint Spvr	0	0	0	1	1
KLC Site Manager	0	0	0	1	1
Secretary	0	0	0	1	1
Totals	0	0	2	7	9

Alaska Industrial Development and Export Authority Budget Request Unit

Contact: Robert G. Poe, Jr., Executive Director

Tel: (907) 269-3000 **Fax:** (907) 269-3044 **E-mail:** bpoe@aidea.org

BRU Mission

To encourage economic growth and diversification of the economy.

BRU Services Provided

AIDEA acts as an economic development catalyst by providing capital at a reasonable cost for Alaskan businesses, with emphasis on projects that create new jobs and economic activity in the private sector. AIDEA is a primary source of secondary financing in the state for business loans made by financial institutions. The loans are serviced by the banks, thereby limiting staffing requirements at AIDEA. The Authority can also own and operate specific development projects that enhance the economy of the state and support private sector investment. The Authority also acts as a conduit for the issuance of both taxable and tax-exempt bonds for specific business development projects. For small businesses, AIDEA has a Business and Export Assistance program, which provides loan guarantees, with particular emphasis on businesses in rural Alaska.

Bonds sold for AIDEA projects are the general obligation of AIDEA or revenue bonds associated with a specific project owned by AIDEA and do not have the expressed moral obligation of the State of Alaska.

All staffing for Alaska Energy Authority (AEA) functions is provided by AIDEA. As the owner of six hydroelectric plants and the Alaska Intertie transmission line, AEA is responsible for the administrative oversight for these facilities. In addition, AIDEA staff is responsible for providing staffing for the oversight and operation of all rural and alternative energy programs and the circuit rider program of AEA.

BRU Goals and Strategies

1. To stimulate economic development and diversification.
 - Provide business financing assistance throughout Alaska through AIDEA's credit programs by participating in or guaranteeing bank originated loans.
 - Continue to develop, operate and maintain AIDEA owned development projects that support private sector investment and create or maintain jobs for Alaskans.
2. To efficiently oversee the operations and maintenance of approximately \$1 billion in electrical generation and transmission facilities owned by AEA in Alaska.
 - To the extent feasible, contract to user utilities direct operating, maintenance and repair responsibilities for the AEA owned facilities.
3. To effectively provide management support for the Rural and Alternative Energy Programs and the circuit rider program of AEA.

Key BRU Issues for FY2002 – 2003

Provide technical assistance and financing to help businesses diversify the economy in rural Alaska.

Provide financing assistance under the Business and Export Assistance Guarantee Program, assisting small businesses and businesses in rural Alaska to obtain bank financing that otherwise may not have been available to them.

Provide staff to operate AEA's Programs.

Major BRU Accomplishments in 2001

Provided a \$18.5 million dividend to the State General Fund in FY2001 and will provide a \$17.5 million dividend in FY2002.

Purchased approximately \$9.9 million in loan participations originated through financial institutions for businesses and projects in Alaska, helping to expand Alaska's economic base and create jobs in Alaska. At June 30, 2001, had approved loan participation purchase commitments for an additional \$18 million.

Issued \$16.1 million in conduit financing for private sector and non-profit projects.

Oversight of the Healy Clean Coal Project (HCCP) was transferred to Golden Valley Electric Association (GVEA) under a settlement agreement during the prior year. The agreement ended two years of litigation between AIDEA and GVEA. During this post-settlement period, AIDEA and GVEA are exploring financing alternatives to complete a retrofit of the project, to allow the resumption of power generation.

Continued to work with Cominco Alaska and the U.S. Corp of Engineers to study the potential feasibility of a deep water port at the DeLong Mountain Transportation facility (DMTS), the road and port serving the Red Dog Mine. The Red Dog Mine and the DMTS provide approximately 485 permanent, full-time jobs in the NW Arctic Borough.

Helped the Alaska Seafood International manufacturing facility (ASI) owners, and helped negotiate an organizational restructuring to provide operating capital and a new owner-operator. In full production, ASI will provide 450 year-round manufacturing jobs, result in hundreds of indirect jobs, and stimulate the local economies of fishing communities by providing a reliable market for their product.

Integrated personnel and finance functions of the former Division of Energy into AIDEA creating operating efficiencies and cost savings.

Continued to administer outstanding AEA long-term debt in excess of \$300 million; continued to administer special trust funds relating to the facilities.

Key Performance Measures for FY2003

Measure:

The number of permanent jobs created.
Sec 29(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

In FY 2001 AIDEA funded loan participations totaling approximately \$9.9 million, creating approximately 185 construction jobs and 163 new jobs, and guaranteed one loan for \$150,000, creating 6 new jobs. In FY2002 AIDEA will purchase between \$50 and \$65 million in loan participations. This is expected to be a record amount and not a figure that is sustainable. In FY 2003, AIDEA will purchase approximately \$30.0 million in loan participations with financial institutions; and guarantee \$2.0 million in small business loans. The number of jobs created is one of the factors in AIDEA's determination to participate in a loan financing; however, AIDEA has not traditionally projected the number of jobs to be created by its financing participations. After a loan is approved AIDEA is able to track that information. On average, over 285 permanent jobs are created annually by AIDEA's loan participations and guarantees.

	Jobs Created/Retained	
	Construction	Permanent
1992	77	34
1993	191	568
1994	334	349
1995	268	215
1996	298	128
1997	504	176

1998	600	500
1999	381	442
2000	506	275
2001	185	169

The number of "permanent jobs created" dropped from FY00 to FY01 primarily due to a drop in loans funded, from \$30.9 million in FY00 to \$9.9 million in FY01. The drop in fundings is in part due to large new construction projects that AIDEA committed to but were not completed within the fiscal year. There is often a lag time between approved loans and funded loans, possibly 60 days to a year. FY02 will reflect the statistics for completed projects that AIDEA committed to in FY01.

Benchmark Comparisons:

No other state similar in population has a public development corporation identical to AIDEA.

Background and Strategies:

AIDEA provides the financing mechanisms necessary to participate in long-term commercial loans, guarantee small business loans, including export transactions, to own projects that promote economic development and to provide conduit financing of projects owned by others that promote economic development.

AIDEA will continue to work with the private sector to develop infrastructure projects that AIDEA can own and lease to the private sector, complimenting private sector investment. AIDEA will also continue to work with the private sector to provide conduit revenue bond financings of projects owned by private sector investments that promote economic development.

Measure:

The loan delinquency rate.

Sec 29(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

In August 2001, AIDEA's delinquency rate on loan participations dropped to 1.07 percent. This is a lower delinquency rate than Alaskan banks average for their total loan portfolio. This is down from a 1.73 percent delinquency rate for July 2001. Delinquency rates cannot be directly controlled by AIDEA. Delinquency rates are more a result of the economy. However, through prudent business practices, AIDEA can make knowledgeable decisions on participating in loans that will help diversify Alaska's economy and create jobs for Alaskan.

Historical Delinquency (Total Portfolio)

Fiscal Year End	Portfolio Balance \$	Delinquent Loans \$	Delinquent Loans %
6/30/86	372,833,597	36,975,029	9.92%
6/30/87	329,070,910	85,017,004	25.84%
6/30/88	282,280,437	75,172,882	26.63%
6/30/89	269,187,088	71,877,069	26.70%
6/30/90	237,442,336	31,283,646	13.18%
6/30/91	215,871,257	20,608,511	9.55%
6/30/92	208,496,198	25,292,336	12.13%
6/30/93	216,898,077	10,102,823	4.66%
6/30/94	216,343,028	17,422,823	8.05%
6/30/95	238,177,839	15,968,625	6.70%
6/30/96	232,004,260	15,120,064	6.52%
6/30/97	242,941,647	14,249,212	5.87%
6/30/98	233,819,970	3,491,526	1.49%
6/30/99	222,395,176	5,878,085	2.64%
6/30/00	227,615,585	5,698,987	2.50%
6/30/01	208,094,608	3,249,730	1.56%

Benchmark Comparisons:

No other state similar in population has a public development corporation identical to AIDEA.

AIDEA will continue to carefully review all loan participation requests from banks to help insure that each business receiving the loan can produce adequate revenues to repay the loan and that AIDEA's loan portfolio remains strong.

AIDEA will monitor its loan portfolio monthly and work with originating banks and businesses to help insure their loans are current.

AIDEA will insure its loan portfolio is diverse regionally and by industry sector.

Measure:

The amount and percentage of earnings of the authority available to the state as a dividend.
Sec 29(b)(3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Since the Dividend Program became law in 1996, AIDEA has provided \$109 million to the General Fund in the form of a dividend, including the FY02 dividend of \$17.5 million. AS 44.88.088 requires that the amount of the dividend for a fiscal year may not be less than 25% nor more than 50% of the net income of the authority for the base fiscal year

Base Fiscal Year June 30	Net Income	Payable In FY	Dividend	Net Income %
1995	37,461,096	1997	15,000,000	40.042%
1996	42,902,054	1998	16,000,000	37.294%
1997	42,880,361	1999	16,000,000	37.313%
1998	52,373,699	2000	26,000,000	49.643%
1999	37,092,829	2001	18,500,000	49.875%
2000	35,597,000	2002	17,500,000	49.161%
Cumulative	248,307,039		109,000,000	43.897%

Benchmark Comparisons:

AIDEA's Dividend Program is unique.

Background and Strategies:

Through prudent business practices and a guiding investment policy, AIDEA will continue to produce net income, thereby allowing AIDEA to provide a dividend to the General Fund to fund other important programs.

AIDEA recommends that this measure be amended to reflect the statutory requirements for the dividend payment.

Alaska Industrial Development and Export Authority

BRU Financial Summary by Component

All dollars in thousands

	General Funds	FY2001 Actuals Federal Funds	Other Funds	Total Funds	General Funds	FY2002 Authorized Federal Funds	Other Funds	Total Funds	General Funds	FY2003 Governor Federal Funds	Other Funds	Total Funds
<u>Formula</u>												
<u>Expenditures</u>												
None.												
<u>Non-Formula</u>												
<u>Expenditures</u>												
AIDEA	0.0	0.0	4,943.8	4,943.8	0.0	0.0	5,941.9	5,941.9	0.0	0.0	6,362.5	6,362.5
AIDEA Facilities Maintenance	0.0	0.0	175.9	175.9	0.0	0.0	177.0	177.0	0.0	0.0	177.0	177.0
AEA Statewide Operations & Maint	0.0	0.0	791.2	791.2	0.0	0.0	1,051.9	1,051.9	0.0	0.0	0.0	0.0
Totals	0.0	0.0	5,910.9	5,910.9	0.0	0.0	7,170.8	7,170.8	0.0	0.0	6,539.5	6,539.5

Alaska Industrial Development and Export Authority

Proposed Changes in Levels of Service for FY2003

AIDEA requests an increment in personal services to hire three CIP positions. The funding source is I/A receipts from the Alaska Energy Authority (AEA). These positions are needed due to the increase of Denali Commission funded projects managed by AEA rural energy operations.

The AEA operations component was removed from the AIDEA BRU. The budget structures for the Authorities were changed to reflect the organization of both AEA and AIDEA.

Alaska Industrial Development and Export Authority

Summary of BRU Budget Changes by Component

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	0.0	7,170.8	7,170.8
Adjustments which will continue current level of service:				
-AIDEA	0.0	0.0	180.6	180.6
-AEA Statewide Operations & Maint	0.0	0.0	-1,051.9	-1,051.9
Proposed budget increases:				
-AIDEA	0.0	0.0	240.0	240.0
FY2003 Governor	0.0	0.0	6,539.5	6,539.5

Component: Alaska Industrial Development and Export Authority

Contact: Robert G. Poe, Jr., Executive Director

Tel: (907) 269-3000 **Fax:** (907) 269-3044 **E-mail:** bpoe@aidea.org

Component Mission

The mission of the Alaska Industrial Development and Export Authority (AIDEA) is to create jobs through statewide economic development and statewide diversification.

Component Services Provided

AIDEA acts as an economic development catalyst by providing capital at a reasonable cost for Alaskan businesses, with emphasis on projects that create new jobs and economic activity in the private sector. AIDEA is a primary source of secondary financing in the state for business loans made by financial institutions. The loans are serviced by the banks, thereby limiting staffing requirements at AIDEA. The Authority can also own and operate specific development projects that enhance the economy of the state and support private sector investment. The Authority also acts as a conduit for the issuance of both taxable and tax-exempt bonds for specific business development projects. For small businesses, AIDEA has a Business and Export Assistance program, which provides loan guarantees, with particular emphasis on businesses in rural Alaska.

Bonds sold for AIDEA owned projects do not carry the expressed moral obligation of the state of Alaska. AIDEA bonds are either general obligations of AIDEA or are backed by the revenue produced by a specific AIDEA owned project.

AIDEA provides all staffing for Alaska Energy Authority (AEA). This encompasses (1) the oversight of the operations and maintenance of all AEA owned power projects, (2) the management and staffing of AEA's Rural and Alternative Energy Programs, (3) the administration of the Power Cost Equalization (PCE) Program, and (4) the administration of the Circuit Rider Program.

Component Goals and Strategies

To stimulate economic development and diversification.

10. Provide business financing assistance throughout Alaska through AIDEA's credit programs by participating in or guaranteeing bank originated loans.
11. Continue to develop, operate and maintain AIDEA owned development projects that support private sector investment and create or maintain jobs for Alaskans.
12. Continue to provide conduit financing for the issuance of both taxable and tax-exempt bonds for specific business development projects in Alaska.

Key Component Issues for FY2002 – 2003

Provide technical assistance and financing to help businesses diversify the economy in Alaska.

Provide \$30 million in long-term financing for businesses throughout Alaska by purchasing up to 80% of bank originated loans.

Begin sustained production of Alaska's first seafood manufacturing facility.

Resolve issues surrounding future usage of Healy Clean Coal Project.

Major Component Accomplishments in 2001

Provided a \$18.5 million dividend to the State General Fund in FY2001 and will provide a \$17.5 million dividend in FY2002.

Purchased approximately \$9.9 million in loan participations originated through financial institutions for businesses and projects in Alaska, helping to expand Alaska's economic base and create jobs in Alaska. At June 30, 2001, had approved loan participation purchase commitments for an additional \$18 million.

Issued \$16.1 million in conduit financing for private sector and non-profit projects.

Helped the Alaska Seafood International manufacturing facility (ASI) owners negotiate an organizational restructuring to provide operating capital and a new owner-operator. ASI is restarting operations and is processing orders. In full production, ASI will provide 450 year-round manufacturing jobs, result in hundreds of indirect jobs, and stimulate the local economies of fishing communities by providing a reliable market for their product.

Oversight of the Healy Clean Coal Project (HCCP) was transferred to Golden Valley Electric Association (GVEA) under a settlement agreement during the prior year. The settlement agreement ended two years of litigation between AIDEA and GVEA. During this post-settlement period, AIDEA and GVEA are exploring financing alternatives to complete a retrofit of the Project, to allow the resumption of power generation.

Continued to work with Cominco Alaska and the U.S. Corp of Engineers to study the potential feasibility of a deep water port at the DeLong Mountain Transportation facility (DMTS), the road and port serving the Red Dog Mine. The Red Dog Mine and the DMTS provide approximately 485 permanent full-time jobs in the NW Arctic Borough.

Statutory and Regulatory Authority

AS 44.88
3 AAC 99

Alaska Industrial Development and Export Authority

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	3,615.7	4,299.9	4,665.5
72000 Travel	29.6	68.2	68.2
73000 Contractual	1,197.4	1,519.4	1,574.4
74000 Supplies	33.2	38.9	38.9
75000 Equipment	67.9	15.5	15.5
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	4,943.8	5,941.9	6,362.5
Funding Sources:			
1007 Inter-Agency Receipts	1,661.8	2,063.6	2,391.9
1102 Alaska Industrial Development & Export Authority Receipts	3,282.0	3,878.3	3,970.6
Funding Totals	4,943.8	5,941.9	6,362.5

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
<u>Unrestricted Revenues</u>						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
<u>Restricted Revenues</u>						
Interagency Receipts	51015	1,661.8	2,063.6	2,063.6	2,391.9	2,391.9
AK Industrial Dev. Export Auth. Receipts	51406	3,282.0	3,878.3	3,878.3	3,970.6	3,970.6
Restricted Total		4,943.8	5,941.9	5,941.9	6,362.5	6,362.5
Total Estimated Revenues		4,943.8	5,941.9	5,941.9	6,362.5	6,362.5

Alaska Industrial Development and Export Authority

Proposed Changes in Levels of Service for FY2003

AIDEA requests an increment in personal services to hire three CIP positions. The funding source is I/A receipts from the Alaska Energy Authority (AEA). These positions are needed due to the increase of Denali Commission funded projects managed by AEA rural energy operations.

Summary of Component Budget Changes

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	0.0	5,941.9	5,941.9
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	0.0	0.0	180.6	180.6
Proposed budget increases:				
-Bulk Fuel and Rural Power Systems Projects	0.0	0.0	240.0	240.0
FY2003 Governor	0.0	0.0	6,362.5	6,362.5

Alaska Industrial Development and Export Authority

Personal Services Information

	Authorized Positions		Personal Services Costs	
	<u>FY2002</u> <u>Authorized</u>	<u>FY2003</u> <u>Governor</u>		
Full-time	62	65	Annual Salaries	3,503,978
Part-time	0	0	COLA	126,692
Nonpermanent	0	0	Premium Pay	47,465
			Annual Benefits	1,187,890
			Less 4.12% Vacancy Factor	(200,525)
			Lump Sum Premium Pay	0
Totals	62	65	Total Personal Services	4,665,500

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant	5	0	0	0	5
Accounting Technician	5	0	0	0	5
Admin Assistant	1	0	0	0	1
Administrative Assistant	3	0	0	0	3
Administrative Clerk II	1	0	0	0	1
Contracts Administrator I	1	0	0	0	1
Dep Dir/Project Dev/Operations	1	0	0	0	1
Deputy Director	1	0	0	0	1
Deputy Director Bus Dev	1	0	0	0	1
Deputy Director Credit	1	0	0	0	1
Deputy Director Finance	1	0	0	0	1
Development Spec I	1	0	0	0	1
Development Specialist II	3	0	0	0	3
Drafting Technician III	1	0	0	0	1
Engineering Assistant III	1	0	0	0	1
Executive Director	1	0	0	0	1
Finance Assistant	3	0	0	0	3
Loan Officer II	2	0	0	0	2
Loan Servicing Officer	1	0	0	0	1
Loan Servicing Technician II	3	0	0	0	3
Microcomputer/Network Spec	1	0	0	0	1
Operations Manager	1	0	0	0	1
PCE Program Administrator	1	0	0	0	1
Procurement Manager	2	0	0	0	2
Project Assistant	3	0	0	0	3
Project Development Manager	1	0	0	0	1
Project Manager	6	0	0	0	6
Project Manager I	1	0	0	0	1
Project Manager II	2	0	0	0	2
Receptionist	1	0	0	0	1
Rural Development Manager	1	0	0	0	1
Rural Elect Utility Worker	3	0	0	0	3
Rural Energy Programs Manager	1	0	0	0	1
Technical Engineer	1	0	0	0	1
Technical Engineer II	2	0	0	1	3
Totals	64	0	0	1	65

Component: Alaska Industrial Development Corporation Facilities Maintenance

Contact: Robert G. Poe, Jr., Executive Director

Tel: (907) 269-3000 **Fax:** (907) 269-3044 **E-mail:** bpoe@aidea.org

Component Mission

To maintain and operate the office building occupied by AIDEA.

Component Services Provided

The purpose of this component is to provide for the operations, maintenance and repair costs of the AIDEA office building.

Component Goals and Strategies

Maintain and operate the office building occupied by AIDEA efficiently and effectively.

Key Component Issues for FY2002 – 2003

HB 40 (SLA 99 Ch58) transferred the responsibility of the Dept of Community and Regional Affairs rural energy programs to AIDEA. This resulted in almost doubling the staff of AIDEA, thus doubling the office space requirements of AIDEA. An increment of \$104,000 for FY2001 was approved to provide for the additional costs to maintain the required office space. This increment was funded by AIDEA Corporate Receipts.

Major Component Accomplishments in 2001

All AIDEA staff are now located in the same building.

Statutory and Regulatory Authority

AS37.07.020(e)

Alaska Industrial Development Corporation Facilities Maintenance

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	0.0
73000 Contractual	175.9	177.0	177.0
74000 Supplies	0.0	0.0	0.0
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	175.9	177.0	177.0
Funding Sources:			
1102 Alaska Industrial Development & Export Authority Receipts	175.9	177.0	177.0
Funding Totals	175.9	177.0	177.0

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
Restricted Revenues						
AK Industrial Dev. Export Auth. Receipts	51406	175.9	177.0	177.0	177.0	177.0
Restricted Total		175.9	177.0	177.0	177.0	177.0
Total Estimated Revenues		175.9	177.0	177.0	177.0	177.0

Alaska Industrial Development Corporation Facilities Maintenance

Proposed Changes in Levels of Service for FY2003

None.

Summary of Component Budget Changes

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	0.0	177.0	177.0
FY2003 Governor	0.0	0.0	177.0	177.0

Component: Alaska Energy Authority Statewide Operations and Maintenance

Contact: Robert G. Poe, Jr., Executive Director

Tel: (907) 269-3000 **Fax:** (907) 269-3044 **E-mail:** bpoe@aidea.org

Component Mission

No mission statement.

Component Services Provided

No services provided.

Component Goals and Strategies

No goals and strategies.

Key Component Issues for FY2002 – 2003

No key issues.

Major Component Accomplishments in 2001

No major accomplishments.

Statutory and Regulatory Authority

No statutes and regulations.

Alaska Energy Authority Statewide Operations and Maintenance

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	25.8	30.0	0.0
73000 Contractual	755.9	1,008.9	0.0
74000 Supplies	0.3	8.0	0.0
75000 Equipment	9.2	5.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	791.2	1,051.9	0.0
Funding Sources:			
1107 Alaska Energy Authority Corporate Receipts	791.2	1,051.9	0.0
Funding Totals	791.2	1,051.9	0.0

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
<u>Unrestricted Revenues</u>						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
<u>Restricted Revenues</u>						
Alaska Energy Authority Receipts	51418	791.2	1,049.5	1,051.9	0.0	0.0
Restricted Total		791.2	1,049.5	1,051.9	0.0	0.0
Total Estimated Revenues		791.2	1,049.5	1,051.9	0.0	0.0

Alaska Energy Authority Statewide Operations and Maintenance

Proposed Changes in Levels of Service for FY2003

No service changes.

Summary of Component Budget Changes

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	0.0	1,051.9	1,051.9
Adjustments which will continue current level of service:				
-Transfer Funding to new AK Energy Authority BRU and component	0.0	0.0	-1,051.9	-1,051.9
FY2003 Governor	0.0	0.0	0.0	0.0

Rural Energy Programs Budget Request Unit

Contact: Robert G. Poe, Jr., Executive Director

Tel: (907) 269-3000 **Fax:** (907) 269-3044 **E-mail:** bpoe@aidea.org

BRU Mission

No mission statement.

BRU Services Provided

No services provided.

BRU Goals and Strategies

No goals and strategies.

Key BRU Issues for FY2002 – 2003

No key issues.

Major BRU Accomplishments in 2001

No major accomplishments.

Rural Energy Programs
BRU Financial Summary by Component

All dollars in thousands

	General Funds	FY2001 Federal Funds	Actuals Other Funds	Total Funds	General Funds	FY2002 Federal Funds	Authorized Other Funds	Total Funds	General Funds	FY2003 Federal Funds	Governor Other Funds	Total Funds
<u>Formula</u>												
<u>Expenditures</u>												
Power Cost Equalization	0.0	0.0	16,091.6	16,091.6	0.0	0.0	15,700.0	15,700.0	0.0	0.0	0.0	0.0
<u>Non-Formula</u>												
<u>Expenditures</u>												
Energy Operations	287.9	0.0	1,759.9	2,047.8	289.7	66.0	1,895.3	2,251.0	0.0	0.0	0.0	0.0
Circuit Rider	100.0	22.6	0.0	122.6	200.0	100.0	0.0	300.0	0.0	0.0	0.0	0.0
Totals	387.9	22.6	17,851.5	18,262.0	489.7	166.0	17,595.3	18,251.0	0.0	0.0	0.0	0.0

Rural Energy Programs
Proposed Changes in Levels of Service for FY2003

No service changes.

Rural Energy Programs
Summary of BRU Budget Changes by Component
From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	489.7	166.0	17,595.3	18,251.0
Adjustments which will continue current level of service:				
- Energy Operations	-289.7	-66.0	-1,895.3	-2,251.0
- Circuit Rider	-200.0	-100.0	0.0	-300.0
- Power Cost Equalization	0.0	0.0	-15,700.0	-15,700.0
FY2003 Governor	0.0	0.0	0.0	0.0

Component: Energy Operations

Contact: Robert G. Poe, Jr, Executive Director

Tel: (907) 269-3000 **Fax:** (907) 269-3044 **E-mail:** bpoe@aidea.org

Component Mission

No mission statement.

Component Services Provided

No services provided.

Component Goals and Strategies

No goals and strategies.

Key Component Issues for FY2002 – 2003

No key issues.

Major Component Accomplishments in 2001

No major accomplishments.

Statutory and Regulatory Authority

No statutes and regulations.

Energy Operations

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	150.0	125.6	0.0
73000 Contractual	1,785.2	2,102.4	0.0
74000 Supplies	10.0	18.0	0.0
75000 Equipment	2.9	5.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	99.7	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	2,047.8	2,251.0	0.0
Funding Sources:			
1002 Federal Receipts	0.0	66.0	0.0
1004 General Fund Receipts	287.9	289.7	0.0
1007 Inter-Agency Receipts	143.0	150.0	0.0
1061 Capital Improvement Project Receipts	814.4	888.5	0.0
1062 Power Project Loan Fund	802.5	807.5	0.0
1074 Bulk Fuel Revolving Loan Fund	0.0	49.3	0.0
Funding Totals	2,047.8	2,251.0	0.0

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
Restricted Revenues						
Federal Receipts	51010	0.0	66.0	66.0	0.0	0.0
Interagency Receipts	51015	143.0	150.0	150.0	0.0	0.0
Capital Improvement Project Receipts	51200	814.4	888.5	888.5	0.0	0.0
Bulk Fuel Revolving Loan Fund	51270	0.0	49.3	49.3	0.0	0.0
Power Project Loan Fund	51350	802.5	807.5	807.5	0.0	0.0
Restricted Total		1,759.9	1,961.3	1,961.3	0.0	0.0
Total Estimated Revenues		1,759.9	1,961.3	1,961.3	0.0	0.0

Energy Operations

Proposed Changes in Levels of Service for FY2003

No service changes.

Summary of Component Budget Changes

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	289.7	66.0	1,895.3	2,251.0
Adjustments which will continue current level of service:				
-Transfer funding to new AK Energy Authority BRU	-289.7	-66.0	-1,895.3	-2,251.0
FY2003 Governor	0.0	0.0	0.0	0.0

Component: Circuit Rider

Contact: Robert G. Poe, Jr., Executive Director
Tel: (907) 269-3000 **Fax:** (907) 369-3044 **E-mail:** bpoe@aidea.org

Component Mission

No mission statement.

Component Services Provided

No services provided.

Component Goals and Strategies

No goals and strategies.

Key Component Issues for FY2002 – 2003

No key issues.

Major Component Accomplishments in 2001

No major accomplishments.

Statutory and Regulatory Authority

No statutes and regulations.

Circuit Rider

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	0.0
73000 Contractual	122.6	300.0	0.0
74000 Supplies	0.0	0.0	0.0
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	122.6	300.0	0.0
Funding Sources:			
1002 Federal Receipts	22.6	100.0	0.0
1004 General Fund Receipts	100.0	200.0	0.0
Funding Totals	122.6	300.0	0.0

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
<u>Unrestricted Revenues</u>						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
<u>Restricted Revenues</u>						
Federal Receipts	51010	22.6	100.0	100.0	0.0	0.0
Restricted Total		22.6	100.0	100.0	0.0	0.0
Total Estimated Revenues		22.6	100.0	100.0	0.0	0.0

Circuit Rider**Proposed Changes in Levels of Service for FY2003**

No service changes.

Summary of Component Budget Changes**From FY2002 Authorized to FY2003 Governor***All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	200.0	100.0	0.0	300.0
Adjustments which will continue current level of service:				
-Transfer funding to new AK Energy Authority BRU and component	-200.0	-100.0	0.0	-300.0
FY2003 Governor	0.0	0.0	0.0	0.0

Component: Power Cost Equalization

Contact: Robert G. Poe, Jr, Executive Director

Tel: (907) 269-3000 **Fax:** (907) 269-3004 **E-mail:** bpoe@aidea.org

Component Mission

No mission statement.

Component Services Provided

No services provided.

Component Goals and Strategies

No goals and strategies.

Key Component Issues for FY2002 – 2003

No key issues.

Major Component Accomplishments in 2001

No major accomplishments.

Statutory and Regulatory Authority

No statutes and regulations.

Power Cost Equalization

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	0.0
73000 Contractual	0.0	0.0	0.0
74000 Supplies	0.0	0.0	0.0
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	16,091.6	15,700.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	16,091.6	15,700.0	0.0
Funding Sources:			
1007 Inter-Agency Receipts	391.6	0.0	0.0
1089 Power Cost Equalization Fund	15,700.0	15,700.0	0.0
Funding Totals	16,091.6	15,700.0	0.0

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
<u>Unrestricted Revenues</u>						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
<u>Restricted Revenues</u>						
Interagency Receipts	51015	391.6	0.0	0.0	0.0	0.0
Power Cost Equalization	51404	15,700.0	15,700.0	15,700.0	0.0	0.0
Restricted Total		16,091.6	15,700.0	15,700.0	0.0	0.0
Total Estimated Revenues		16,091.6	15,700.0	15,700.0	0.0	0.0

Power Cost Equalization**Proposed Changes in Levels of Service for FY2003**

No service changes.

Summary of Component Budget Changes**From FY2002 Authorized to FY2003 Governor***All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	0.0	15,700.0	15,700.0
Adjustments which will continue current level of service:				
-Transfer funding to new AK Energy Authority BRU and component	0.0	0.0	-15,700.0	-15,700.0
FY2003 Governor	0.0	0.0	0.0	0.0

Alaska Energy Authority Budget Request Unit

Contact: Robert G. Poe, Jr., Executive Director

Tel: (907) 269-3000 **Fax:** (907) 269-3044 **E-mail:** bpoe@aidea.org

BRU Mission

The mission of the Alaska Energy Authority (AEA) BRU is to assist in the development of safe reliable, and efficient energy systems throughout Alaska, which are financial viable and environmentally sound.

BRU Services Provided

Maintain and administer AEA owned facilities; maximizing services and revenues and minimizing unscheduled outages.

The AEA BRU includes the administration of and/or funds for, the following programs:

- Bulk fuel storage upgrades.
- Rural power system upgrades.
- Power Cost Equalization.
- Energy conservation and alternative energy development.
- Circuit rider maintenance and emergency response.
- Utility operator training.
- Bulk fuel revolving loan fund.
- Power Project loan fund.
- Maintenance of AEA owned facilities

Recent capital project funding for bulk fuel storage upgrades and rural power system upgrades has come primarily from the Denali Commission, supplemented by other federal grants from agencies such as EPA and HUD and by State capital appropriations.

Power Cost Equalization (PCE) pays a portion of the electric bills of rural consumers. Significant legislation enacted in 1999 reduced the scope of the program and the size of PCE payments, while legislation enacted in 2000 created an endowment to provide PCE funding over the long term.

BRU Goals and Strategies

Continue to maintain the technical integrity of AEA projects.

Continue to maximize local control of AEA projects, to the extent feasible, by contracting with the operating utilities to provide operating and maintenance services.

Continue to work with the operating utilities to lower operating costs and improve efficiencies at the AEA owned hydroelectric projects.

For both bulk fuel storage and rural power system upgrades, accelerate project development to take full advantage of the recent and expected increases in Denali Commission funding of these projects.

Through training and technical assistance, improve local capabilities to properly manage, operate, and maintain electric utility and bulk fuel storage systems.

Continue to issue timely and accurate PCE payments to 95 electric utilities serving 192 eligible communities.

Develop and implement alternative energy technologies and assess their potential to reduce energy costs in rural Alaska.

Key BRU Issues for FY2002 – 2003

Work with the Four Dam Pool communities and utilities to finalize the sale and transfer of the projects to the local utilities.

AEA must accelerate project development to keep pace with the availability of funding from the Denali Commission.

Recent fuel price increases accentuate the need for aggressive action to reduce rural energy costs.

Recent growth in the construction of new power supply and bulk fuel storage projects highlights the need for consistent operations, maintenance, and management skills among the local owners of these facilities.

Major BRU Accomplishments in 2001

Performed major maintenance and repairs on AEA owned projects.

Completed bulk fuel storage consolidations and upgrades in 5 communities totaling

\$ 13.3 million. An additional 5 bulk fuel consolidations, totaling \$14 million, will be completed in the calendar year 2001.

Started preliminary design work on 21 additional bulk fuel storage.

Completed rural power system upgrades in 5 communities totaling \$4.1 million.

Issued PCE payments in the amount of \$17.0 million.

Provided circuit rider maintenance and on-site operator training in about 80 rural communities.

Responded to electrical emergencies in 8 communities, including diesel power plant failures and/or distribution system failures.

Key Performance Measures for FY2003

Measure:

The change in the number of unscheduled outages of hydroelectric projects owned by the Authority.
Sec 30(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

AEA works closely in an administrative role with the operating utilities to minimize the number of unscheduled outages at the hydroelectric projects owned by the Authority and to insure the projects are operated effectively and efficiently through regular maintenance and budget oversight. The utilities are tasked with providing the necessary service to get the projects back on line when there is an unscheduled outage and provide backup generation when outages occur.

AEA's primary role is to efficiently oversee the operations and maintenance of approximately \$1 billion in electrical generation and transmission facilities in Alaska. AEA is the owner of the facilities with oversight of the project budgets. The utilities operate and maintain the facilities. Prior to 1993, AEA had a staff of seventeen to monitor the operations of the projects, providing detailed reports on operations, including unscheduled outages. AIDEA currently provides one staff position to provide oversight of the project operations and maintenance.

Due to lack of resources, detailed reporting, including the tracking of power outages has been discontinued by AEA.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

Continue to work with operating utilities to provide the local control of AEA projects for operation and maintenance services.

Measure:

The number of four dam pool project repairs and upgrades completed on time and within budget (this measurement will be used until the transfer of ownership of the four dam pool projects has been completed).

Sec 30(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

AEA initiates regular maintenance and repair to the four dam pool projects and provides administrative and budget oversight to insure the projects are completed on time and within budget. All scheduled repairs have been completed with the exception of continuing repairs to the Terror Lake tunnel.

As the owner of the four dam pool projects, it is AEA's responsibility to insure the assets are protected and the integrity of the projects is maintained.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

AEA initiates repairs and upgrades as necessary to maintain the AEA-owned projects built over a decade ago. In FY 2002, AEA will work with the operating utilities to complete the following:

- Complete the Terror Lake tunnel.
- Complete the sale of the four dam pool projects to the operating utilities and/or communities.

Measure:

The change in the amount of revenue created by projects owned by the Authority.

Sec 30(b)(3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

In FY 2001 the AEA-owned projects generated approximately \$25,257,000 in revenues from operating plants and \$2,988,000 of investment and other income. Expenses, including depreciation, in excess of revenues offset the income.

The projects owned by AEA were built as infrastructure projects to provide lower-cost energy to Alaskans and were not intended to generate excess revenue. AEA works to maximize the revenues at the projects to cover operating expenses.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

AEA administers the outstanding long-term debt of the AEA-owned projects, which is in excess of \$300 million, and administers special trust funds relating to the facilities. To the extent feasible, AEA contracts the direct operating, maintenance and repair responsibilities of the AEA-owned facilities to the operating utilities and works with the operating utilities to lower operating costs and improve efficiencies at the facilities owned by AEA.

Since AEA's goal is not to generate excess revenue from the operation of the projects, this is not an appropriate measure for the operation of AEA owned facilities.

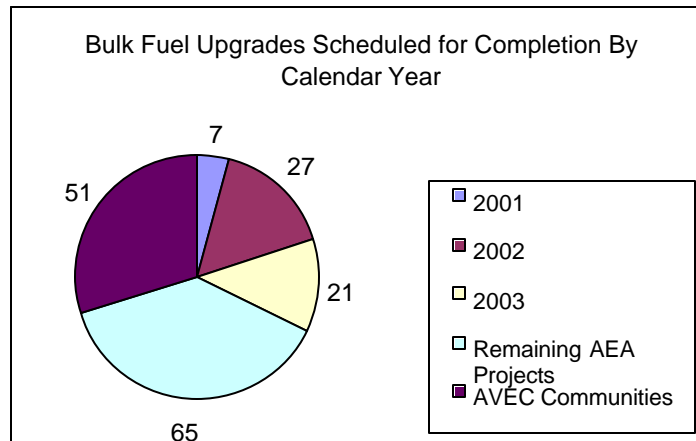
Measure:

The number of bulk fuel storage upgrade projects on rural energy group priority lists compared to the number completed.

Sec 31(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

There are 171 communities listed on the bulk fuel deficiency list. The following chart shows the progress made towards addressing the bulk fuel storage needs in rural Alaska. In FY2001, the Denali Commission provided a financial assistance award to AVEC to address the deficiencies in the communities that they provide service. AVEC has completed one community project. AVEC's progress to address the remaining communities is not tracked by AEA.



Benchmark Comparisons:

Not applicable.

Background and Strategies:

AEA's bulk fuel storage data base and priority list includes information on approximately 1100 tank farms in 171 rural communities. Most of these tank farms have serious deficiencies. The U.S. Coast Guard and the Environmental Protection Agency are continuing to issue citations to owners of many substandard facilities in rural Alaska but have thus far refrained from ordering them closed as long as effective measures are under way to bring them into regulatory compliance.

Consolidation of all tanks into one location is the primary strategy to address the bulk fuel needs of a community. A typical rural village may presently have separate tank farms owned and operated by the city government, the tribal government, the village corporation, the local school, the electric utility, and other public or private entities. Relying primarily on federal funds, the State has conducted a program over the last several years to replace these tank farms with new or refurbished facilities that meet all applicable safety and environmental codes. Consolidation reduces the cost of construction and helps to avoid the inconsistent maintenance and operations practices that can result from multiple projects operated by multiple owners.

There are some communities that are not in need of community-wide consolidations. In FY2002, AEA has reviewed the deficiency list and has determined that there are several communities in which "small scale retrofits" with costs less than \$500,000 are appropriate. Currently, 6 communities have been identified in this category, and funding is being requested from the Denali Commission to address these smaller scale projects.

Measure:

The number of electric utility upgrade projects on rural energy group priority lists compared to the number completed. Sec 31(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The following chart illustrates AEA's progress and schedule to complete RPSU projects. In FY2001, the Denali Commission provided a financial assistance award to AVEC to address the deficiencies in the communities that they provide service. AVEC's progress to address the remaining communities is not tracked by AEA.



AEA has a database that includes approximately 170 rural electric utility systems, ranks them in the order of their physical condition. In rural Alaska, 192 communities are served by 95 independent electric utilities. For most of these utilities, the power plant and distribution system do not meet accepted utility standards for safety, reliability, and environmental protection.

Electric utility systems are part of the basic infrastructure of rural communities and are fundamental to the operation of other community facilities, the maintenance of present living standards, and to the prospects for economic development. Due to high costs and limited economies of scale, most local communities cannot make the capital investments needed to meet accepted utility standards for safety, reliability, and operating efficiency.

As funds are available, the State contributes to these capital investments through the Rural Power System Upgrade (RPSU) program. Depending on the condition of existing facilities, these investments can include new generators, new controls, upgrades and modifications to distribution lines, or entirely new power plants and distribution systems.

Measure:

The change in the average power cost for households receiving power cost equalization compared to average statewide costs.

Sec 31(b)(3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

	Average Rates for Anchorage, Fairbanks, and Juneau	Average Rate for PCE Residential Customers	Average PCE Level at June 30	Average Effective Rate at June 30*
1999	9.9	38.09	14.51**	23.58
2000	9.9	39.21	20.01	19.20
2001	9.9	39.91	15.98**	23.93

*= Average PCE rate less Average PCE Level

** the PCE level in effect on June 30, 1999 was at a reduced level of 73.5%; on June 30, 2001 the level was 74%.

Based on the rates in effect on June 30, 2001:

The statewide weighted average rate was 12.81 cents/kWh

After applying PCE adjustments the weighted average rate was 11.77 cents/kWh

Benchmark Comparisons:

Average rate for residential customers in Anchorage, Fairbanks, and Juneau in 2000: 9.9 cents per kilowatt-hour.

Background and Strategies:

Legislation enacted in 2000 includes the following statement of findings by the Legislature:

1. Adequate and reliable electric service at affordable rates is a necessary ingredient of a modern society and a prosperous developing economy.
2. At the current stage of social and economic development in the state, direct participation by the state is necessary to assist in keeping rates in high-cost service areas to affordable levels.
3. Providing a long-term, stable financing source for power cost equalization will permit and encourage the electric utility industry and its lenders to develop plans, make investments, and take other actions that are necessary or prudent to provide adequate and reliable electric service at affordable rates and to meet the health and safety needs of residents of the state.

There are many factors that affect the cost of power in rural Alaska. For example fuel costs: most rural utilities do not have long-term power sales agreements as compared to the urban utilities. AEA does not have control over such factors.

Measure:

The reduction of power cost in dollars and the percentage of increased reliability and technological advances.
Sec 31(b)(4) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

This measure was added by the Legislature in FY02. AEA has not determined whether this is a measure that can be tracked on a sustained basis. AEA is taking the initial steps described below to access this measure.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

Powerhouse upgrades include the installation of new generators that burn fuel more efficiently. Unfortunately, the generators do not come with energy output/fuel ratings. The small independent utilities that are provided the new generators do not have systems in place to track the reduction of power costs when using new generators. The method to measure the efficiency of the new generators would be to track kWh output compared to the fuel purchased. AEA does not have a system in place to measure this information currently. However, AEA is in the process of upgrading the PCE database which will include a method to track the power cost in dollars compared to the advanced generators used in the power house upgrades.

Alaska Energy Authority
BRU Financial Summary by Component

All dollars in thousands

	General Funds	FY2001 Actuals Federal Funds	Other Funds	Total Funds	General Funds	FY2002 Authorized Federal Funds	Other Funds	Total Funds	General Funds	FY2003 Governor Federal Funds	Other Funds	Total Funds
<u>Formula</u>												
<u>Expenditures</u>												
None.												
<u>Non-Formula</u>												
<u>Expenditures</u>												
AEA Operations and Maintenance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,067.1	1,067.1
AEA Rural Energy Operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	295.6	68.3	2,400.2	2,764.1
AEA Circuit Rider	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	200.0	100.0	0.0	300.0
AEA Power Cost Equalization	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	16,960.0	16,960.0
Totals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	495.6	168.3	20,427.3	21,091.2

Alaska Energy Authority

Proposed Changes in Levels of Service for FY2003

AEA is occasionally requested to perform contractual services on behalf of private entities. AEA requests authorization to receive statutory designated program receipts to cover these contracts. AEA expects Sandia Labs to request contractual services to be performed in FY03 for the energy storage into distributed resource electricity supply systems.

Due to the increase in Denali Commission funds and projects, AEA requests an increment of \$240.0 of CIP receipts as the funding source. A corresponding increment in personal services for three CIP positions is requested in the AIDEA operations component.

Alaska Energy Authority

Summary of BRU Budget Changes by Component

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	0.0	0.0	0.0
Adjustments which will continue current level of service:				
-AEA Operations and Maintenance	0.0	0.0	1,051.9	1,051.9
-AEA Rural Energy Operations	289.7	66.0	1,895.3	2,251.0
-AEA Circuit Rider	200.0	100.0	0.0	300.0
-AEA Power Cost Equalization	0.0	0.0	15,700.0	15,700.0
Proposed budget increases:				
-AEA Operations and Maintenance	0.0	0.0	15.2	15.2
-AEA Rural Energy Operations	5.9	2.3	504.9	513.1
-AEA Power Cost Equalization	0.0	0.0	1,260.0	1,260.0
FY2003 Governor	495.6	168.3	20,427.3	21,091.2

Component: Alaska Energy Authority Operations and Maintenance

Contact: Robert G. Poe, Jr., Executive Director

Tel: (907) 269-3000 **Fax:** (970) 269-3044 **E-mail:** bpoe@aidea.org

Component Mission

To tap Alaska's natural resources and new technology to achieve the lowest reasonable consumer power costs.

Component Services Provided

All staffing for AEA administrative functions is provided by AIDEA. AEA owns six hydroelectric plants and the Alaska Intertie transmission line and is responsible for the administrative oversight for these facilities. (Note: Four of these facilities – Terror Lake, Swan Lake, Solomon Gulch, and Tyee Lake are expected to be sold to the “Four-Dam Pool” communities by 12/31/01.)

Component Goals and Strategies

To efficiently oversee the operations and maintenance of approximately \$1 billion in electrical generation and transmission facilities in Alaska.

- To the extent feasible, contract to user utilities the direct operating, maintenance and repair responsibilities for AEA owned facilities.

Key Component Issues for FY2002 – 2003

Continue to maintain the technical integrity of AEA projects by providing scheduled maintenance.

Work with the Four Dam Pool communities and utilities to finalize the sale and transfer of the projects to the local utilities.

Continue to maximize local control of AEA projects, to the extent feasible, by contracting with the operating utilities to provide operating and maintenance services.

Continue to work with the operating utilities to lower operating costs and improve efficiencies at the AEA-owned hydroelectric projects.

Major Component Accomplishments in 2001

Repaired Terror Lake project cavitated area in the Falls Creek diversion.

Developed specifications for Swan Lake generator repairs.

Developed specifications for Tyee Lake power plant roof repair.

Developed specifications for Swan Lake turbine guide bearing repairs.

Completed the major right-of-way clearing for the Alaska intertie transmission line.

Performed major maintenance, FERC and insurance inspections at all AEA owned projects.

Statutory and Regulatory Authority

AS 44.83

2 AAC 94

Alaska Energy Authority Operations and Maintenance

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	30.0
73000 Contractual	0.0	0.0	1,024.1
74000 Supplies	0.0	0.0	8.0
75000 Equipment	0.0	0.0	5.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	0.0	0.0	1,067.1
Funding Sources:			
1107 Alaska Energy Authority Corporate Receipts	0.0	0.0	1,067.1
Funding Totals	0.0	0.0	1,067.1

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
<u>Unrestricted Revenues</u>						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
<u>Restricted Revenues</u>						
Alaska Energy Authority Receipts	51418	0.0	0.0	0.0	1,067.1	1,067.1
Restricted Total		0.0	0.0	0.0	1,067.1	1,067.1
Total Estimated Revenues		0.0	0.0	0.0	1,067.1	1,067.1

Alaska Energy Authority Operations and Maintenance

Proposed Changes in Levels of Service for FY2003

Continue to work with operating utilities to provide the local control of AEA projects for operation and maintenance services.

Summary of Component Budget Changes

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	0.0	0.0	0.0
Adjustments which will continue current level of service:				
-Transfer Funding from AIDEA to new Alaska Energy Authority BRU and component	0.0	0.0	1,051.9	1,051.9
Proposed budget increases:				
-Increase RSA with AIDEA	0.0	0.0	15.2	15.2
FY2003 Governor	0.0	0.0	1,067.1	1,067.1

Component: Alaska Energy Authority Rural Energy Operations

Contact: Robert G. Poe, Jr., Executive Director

Tel: (907) 269-3000 **Fax:** (970) 269-3044 **E-mail:** bpoe@aidea.org

Component Mission

The mission of the Alaska Energy Authority - Rural Energy Operations component is to lower the cost and increase the reliability of rural energy systems.

Component Services Provided

This component provides personnel resources and administrative support needed to implement Alaska Energy Authority's (AEA) rural energy programs, including bulk fuel storage upgrades, rural power system upgrades, power cost equalization, energy conservation and alternative energy development, circuit rider maintenance and emergency response, utility operator training, the Bulk Fuel Revolving Loan Fund program, and the Power Project Fund loan program:

- Bulk fuel storage upgrades - AEA manages the design and construction of tank farm consolidation projects in rural communities. As described in our capital budget request, recent funding has been provided primarily by the Denali Commission, supplemented by additional federal funds from agencies such as EPA and HUD and by State capital appropriations.
- Rural power system upgrades - AEA manages the design and construction of upgrades and replacements to diesel powerplants and electrical distribution systems in rural communities. The capital budget request describes this in greater detail. Recent funding has been provided primarily by the Denali Commission, supplemented by State and other federal funds.
- Power cost equalization (PCE) - Program administration is divided between the Regulatory Commission for Alaska (RCA) and AEA. RCA determines the amount of PCE per kilowatt hour to be paid in each community to each eligible customer. AEA's main task is to review the monthly reports on eligible usage of electricity from the participating utilities and to issue the monthly PCE payments based on the amount of eligible usage and the approved PCE rate.
- Energy conservation and alternative energy development - AEA manages the federally-funded Rebuild America program, which provides "energy audits" and energy conservation recommendations for institutional buildings (such as schools) in rural communities. As described in the capital budget request, AEA also manages the federally-funded biomass energy program, participates in wind energy development, and works with the U.S. Department of Energy and rural utilities on a wide range of alternative energy initiatives.
- Circuit rider maintenance and emergency response - AEA contracts with private firms to provide preventive maintenance, on-site utility operator training, and emergency response for rural electric utilities. AEA personnel provide contract supervision and supplemental services in the field as needed.
- Utility operator training - AEA manages a program that sends rural electric utility operators to the Alaska Vocational Technical Center (AVTEC) in Seward for extended training in diesel power plant operations.
- Bulk Fuel Revolving Loan Fund - AEA evaluates loan applications for purchase of bulk fuel supplies, issues loans, collects payments, and works with purchasers and fuel distributors as necessary to finance bulk fuel purchases.
- Power Project Fund - AEA evaluates loan applications, issues loans, collects payments, and works with eligible borrowers as necessary to finance eligible projects.

Component Goals and Strategies

For both bulk fuel storage consolidation and rural power system upgrades, accelerate project development to take full advantage of the recent and expected increases in Denali Commission funding of these projects.

Continue to issue accurate and timely PCE payments to eligible utilities.

Through training and technical assistance, improve local capabilities to properly manage, operate, and maintain electric utility and bulk fuel storage systems.

By providing preventive maintenance, emergency response and utility system upgrades, eliminate safety hazards and prevent or resolve electrical emergencies in rural communities.

Provide efficient and effective management of capital projects.

Develop and implement alternative energy technologies and assess their potential to reduce energy costs in rural Alaska.

Key Component Issues for FY2002 – 2003

Increased funding from the Denali Commission offers a rare opportunity to upgrade both fuel storage facilities and electric utility systems in rural Alaska on a broad scale. A key issue for AEA is to provide sufficient management resources and accelerate the pace of project development so that rural communities can realize as much benefit as possible from this opportunity.

The need to reduce energy costs in rural Alaska has become more urgent due to the sharp increase in fuel prices that has occurred during the past year. Strategies to reduce these costs through energy production efficiencies, energy production alternatives, and energy conservation need to be clearly identified, developed, and aggressively implemented.

Demand for loans from the Bulk Fuel Revolving Loan Fund has continued to grow and to outstrip the available funds. In September 2001, AEA was awarded a \$5.0 million grant from USDA/RUS for the Bulk Fuel Revolving Loan Fund to help address the increased demand.

Recent growth in the construction of new power supply and bulk fuel storage projects highlights the need for consistent operations, maintenance, and management skills among the local owners of these facilities. Appropriate training is necessary not only at the time of project completion but will also be needed periodically in the future given the expected turnover of facility operators.

A continuing issue is to reduce the number of power system emergencies due to failures in electrical generation and transmission systems, and to reduce the number of fuel supply emergencies due to inadequate bulk fuel storage facilities.

Major Component Accomplishments in 2001

Completed bulk fuel storage consolidations and upgrades in 5 communities totaling \$13.3 million. An additional 5 bulk fuel consolidations, totaling \$14 million will be completed in calendar year 2001.

Started preliminary design work on 21 additional bulk fuel storage projects.

Completed rural power system upgrades in 5 communities totaling \$4.1 million. Started preliminary design of rural power system upgrades in 6 villages with a total estimated construction costs of \$9.9 million.

Responded to electrical emergencies in 8 communities, primarily due to diesel engine failures.

Statutory and Regulatory Authority

AS 42.45
19 AAC 96
19 AAC 97

Alaska Energy Authority Rural Energy Operations

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	125.6
73000 Contractual	0.0	0.0	2,615.5
74000 Supplies	0.0	0.0	18.0
75000 Equipment	0.0	0.0	5.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	0.0	0.0	2,764.1
Funding Sources:			
1002 Federal Receipts	0.0	0.0	68.3
1004 General Fund Receipts	0.0	0.0	295.6
1007 Inter-Agency Receipts	0.0	0.0	155.1
1061 Capital Improvement Project Receipts	0.0	0.0	1,158.9
1062 Power Project Loan Fund	0.0	0.0	835.2
1074 Bulk Fuel Revolving Loan Fund	0.0	0.0	51.0
1108 Statutory Designated Program Receipts	0.0	0.0	200.0
Funding Totals	0.0	0.0	2,764.1

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
Restricted Revenues						
Federal Receipts	51010	0.0	0.0	0.0	68.3	68.3
Interagency Receipts	51015	0.0	0.0	0.0	155.1	155.1
Statutory Designated Program Receipts	51063	0.0	0.0	0.0	200.0	200.0
Capital Improvement Project Receipts	51200	0.0	0.0	0.0	1,158.9	1,158.9
Bulk Fuel Revolving Loan Fund	51270	0.0	0.0	0.0	51.0	51.0
Power Project Loan Fund	51350	0.0	0.0	0.0	835.2	835.2
Restricted Total		0.0	0.0	0.0	2,468.5	2,468.5
Total Estimated Revenues		0.0	0.0	0.0	2,468.5	2,468.5

Alaska Energy Authority Rural Energy Operations

Proposed Changes in Levels of Service for FY2003

AEA is occasionally requested to perform contractual services on behalf of private entities. AEA requests authorization to receive statutory designated program receipts to cover these contracts. AEA expects Sandia Labs to request contractual services to be performed in FY03 for the energy storage into distributed resource electricity supply systems.

Due to the increase in Denali Commission funds and projects, AEA requests an increment of \$240.0 of CIP receipts as the funding source. A corresponding increment in personal services for three CIP positions is requested in the AIDEA operations component.

Summary of Component Budget Changes

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	0.0	0.0	0.0
Adjustments which will continue current level of service:				
-Transfer funding from Rural Energy BRU to new AEA Bru and components	289.7	66.0	1,895.3	2,251.0
Proposed budget increases:				
-Bulk Fuel and Rural Power Systems Projects	0.0	0.0	240.0	240.0
-Reimbursable Services Contracts	0.0	0.0	200.0	200.0
-Increase RSA with AIDEA	5.9	2.3	64.9	73.1
FY2003 Governor	295.6	68.3	2,400.2	2,764.1

Component: Alaska Energy Authority Circuit Rider

Contact: Robert G. Poe, Jr., Executive Director

Tel: (907) 269-3000 **Fax:** (907) 269-3044 **E-mail:** bpoe@aidea.org

Component Mission

To increase the reliability and efficiency of rural electric systems and to respond quickly and effectively to electrical emergencies.

Component Services Provided

The Circuit Rider program offers preventive maintenance services, on-site operator training, and emergency response to rural electric utilities, specifically the smaller utilities that have difficulty acquiring and maintaining the necessary technical skills. AEA contracts with private sector firms to provide these services, supplementing with AEA field staff when necessary.

The contract personnel providing these services include qualified plant operators, electricians and linemen. They visit the participating communities on a quarterly or semi-annual basis, depending on the conditions of the electrical systems, local operator skills and utility management. Inspection, testing, and preventive maintenance is performed on diesel engines, generators, control panels, metering systems and other related components. The contractors are assisted by the local plant operators, who acquire training and skills in the process.

As described in our capital budget request for electrical emergency funds, circuit rider contractors are also dispatched to participating communities when power failures occur that the local utility is unable to resolve.

Component Goals and Strategies

Ensure that small diesel power plants, especially those constructed or financed by the State, are properly maintained for safe and reliable service over their expected lives.

Conduct preventive maintenance and repair on a quarterly basis for rural electric utilities that lack the necessary in-house capability.

Conduct on-site operator training needed for local labor to take on regular preventive maintenance tasks.

Reduce the number of electrical emergencies in rural Alaska.

Key Component Issues for FY2002 – 2003

During FY02, AEA has directed its Circuit Rider contractors to assist in training of local power plant operator's in the routine maintenance and operation of their power plant equipment, This training will help prevent future emergencies in communities throughout Alaska.

Major Component Accomplishments in 2001

Provided circuit rider maintenance services to 80 communities.

Gathered data from the electrical utilities to build an electronic database for priorities future projects in communities.

Responded to electrical emergencies in 8 communities, all of the emergencies were due to diesel engine failure.

Statutory and Regulatory Authority

AS 42.45

Alaska Energy Authority Circuit Rider

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	0.0
73000 Contractual	0.0	0.0	300.0
74000 Supplies	0.0	0.0	0.0
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	0.0	0.0	300.0
Funding Sources:			
1002 Federal Receipts	0.0	0.0	100.0
1004 General Fund Receipts	0.0	0.0	200.0
Funding Totals	0.0	0.0	300.0

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
Restricted Revenues						
Federal Receipts	51010	0.0	0.0	0.0	100.0	100.0
Restricted Total		0.0	0.0	0.0	100.0	100.0
Total Estimated Revenues		0.0	0.0	0.0	100.0	100.0

Alaska Energy Authority Circuit Rider

Proposed Changes in Levels of Service for FY2003

This program insures the reliable and efficient performance of electrical systems in rural Alaska communities and works towards completion of an inventory and assessment of facilities annually to update the Alaska Energy Authority's (AEA) database. A funding source change switching a portion of federal funds to general funds is requested because a stable source of federal funds is not available.

Summary of Component Budget Changes

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	0.0	0.0	0.0
Adjustments which will continue current level of service:				
-Transfer Funding from Rural Energy BRU to new AK Energy Authority BRU and component	200.0	100.0	0.0	300.0
FY2003 Governor	200.0	100.0	0.0	300.0

Component: Alaska Energy Authority Power Cost Equalization

Contact: Robert G. Poe, Jr., Executive Director

Tel: (907) 269-3000 **Fax:** (907) 269-3044 **E-mail:** bpoe@aidea.org

Component Mission

To reduce the cost of electricity for residential consumers and community facilities in rural Alaska.

Component Services Provided

The Power Cost Equalization (PCE) program has paid a portion of the monthly electric bills of rural consumers since 1985. The cost of power in rural Alaska is up to five times greater than the cost of power in urban Alaska. PCE funding is provided for 95 rural electric utilities, which collectively serve 192 communities and 76,000 residents across the state.

Legislation enacted in 1999 limits PCE eligibility to residential consumers and community facilities. Residential consumers can receive PCE support for up to 500 kilowatt hours per month. A monthly usage cap is also defined for community facilities - however, electricity consumption in this category is typically below the cap. As a result, PCE support can be paid for all of the electricity used for community facilities in most cases.

Legislation enacted in 2000 created a PCE endowment with an initial deposit of \$100 million. AEA anticipates that an additional \$80 million will be deposited in the PCE endowment during FY02 consisting primarily of the proceeds from Four Dam Pool divestiture. Endowment earnings are projected to provide approximately \$7 million for PCE in FY02 and approximately \$12 million per year for PCE beginning in FY03.

Component Goals and Strategies

Continue to issue timely and accurate PCE payments to 95 electric utilities serving 192 eligible communities.

Assist rural electric utilities in collecting the information and submitting the necessary reports to obtain PCE benefits.

Prepare an annual statistical report on rural electric utility sales, costs, rates, and benefits based on monthly PCE reports.

Continue to provide administrative training, when necessary, to electric utility staff to promote self sufficient and reliable utility record keeping and administration.

Key Component Issues for FY2002 – 2003

The FY02 amount available from the PCE endowment appropriation is based on 7% of the market value of the fund on February 1, 2001 or \$7,062,156.58. This amount was inadvertently not appropriated to the PCE Rural Electric Capitalization fund for use in FY02. Corrective action will be requested in the FY02 supplemental.

The endowment is expected to generate approximately \$12 million for PCE in future years beginning in FY03 after the proceeds from Four Dam Pool divestiture are deposited. Based on the \$15.7 million appropriation level for FY02, the program has been prorated to 92% for community participants. In addition to the PCE endowment earnings, \$2.14 million in other funds must be appropriated to the PCE fund to maintain the PCE program at the \$15.7 million funding level in FY03.

Because of increased fuel costs, the PCE program is expected to cost \$16.96 million in FY03 to operate the program at the statutorily established level.

Major Component Accomplishments in 2001

Issued PCE payments in the amount of \$17.0 million.

Issued PCE statistical report for FY00.

Provided information as needed to the electric utilities, PCE communities, the Governor and Legislature in connection PCE Legislation.

Statutory and Regulatory Authority

AS 42.45

Alaska Energy Authority Power Cost Equalization

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	0.0
73000 Contractual	0.0	0.0	0.0
74000 Supplies	0.0	0.0	0.0
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	16,960.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	0.0	0.0	16,960.0
Funding Sources:			
1089 Power Cost Equalization Fund	0.0	0.0	16,960.0
Funding Totals	0.0	0.0	16,960.0

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
Restricted Revenues						
Power Cost Equalization	51404	0.0	0.0	0.0	16,960.0	16,960.0
Restricted Total		0.0	0.0	0.0	16,960.0	16,960.0
Total Estimated Revenues		0.0	0.0	0.0	16,960.0	16,960.0

Alaska Energy Authority Power Cost Equalization
Proposed Changes in Levels of Service for FY2003

None.

Summary of Component Budget Changes
From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	0.0	0.0	0.0
Adjustments which will continue current level of service:				
-Transfer funding from Rural Energy BRU to new AK Energy BRU and component	0.0	0.0	15,700.0	15,700.0
Proposed budget increases:				
-Increase PCE Authorization	0.0	0.0	1,260.0	1,260.0
FY2003 Governor	0.0	0.0	16,960.0	16,960.0

BRU/Component: Alaska Science and Technology Foundation

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

Contact: Jamie Kenworthy, Executive Director

Tel: (907) 272-4333 **Fax:** (907) 274-6228 **E-mail:** jkenworthy@astf.org

Component Mission

The mission of the Alaska Science and Technology Foundation (ASTF) is to support the development and application of science and technology.

Component Services Provided

ASTF was formed by the Governor and the Alaska State Legislature in 1988. By statute, ASTF is responsible for the development, funding, and monitoring of grant programs for basic and applied research and its commercialization. All ASTF projects must include innovative science or technology, clear research and business plans to show technical and economic feasibility, appropriate match and risk sharing, and expected significant benefit to the state. Funded projects substantially contribute to the economic development of the State's scientific and engineering capabilities.

Component Goals and Strategies

ASTF's first goal is to realize the economic and non-economic benefits of the application of innovative science and technology projects. A second goal is to build a more entrepreneurial Alaska economy by helping enhance a business environment where Alaska has the confidence, know-how, technology, and risk capital to grow an economy of sustainable wealth.

To realize these goals, ASTF has the two broad strategies. The first is to co-invest in group projects that bring together scientists, engineers, business people, and regulators when applicable, in an industry group to tackle an opportunity or individual projects involving an entrepreneur and the end user of the science or technology. Projects aim to increase Alaska's technology economy or seek to prove up the science or technology to make existing sectors of the state's economic base (seafood, mining, energy, forest products, etc.) more competitive. While the impact of previously funded projects and startups continues to increase, the decline of ASTF earnings and the inability of ASTF to access the full earnings of the endowment mean that in FY 02 no new projects will be funded unless the earnings dramatically improve enough to meet obligations and set asides.

Beyond particular projects, the second broad strategy is to partner with other market-based organizations to build up the entrepreneurial infrastructure necessary to support technology-based economic development. ASTF aims to help establish and institutionalize ongoing capability enabling Alaska entrepreneurs to have access to the risk capital (Alaska Growth Capital BIDCO, Alaska InvestNet), information workers (Information Technology Careers Consortium, Alaska High Tech Business Council), and applied technology (University of Alaska, Alaska Manufacturers' Association, and private sector firms) so that Alaska's economy becomes more sustainable. ASTF partner organizations all raised increased non-ASTF support and impact in 2001.

How projects are structured and funded often determines whether they succeed. ASTF funds early stage, longer-term projects that are generally more applied than basic research at universities but not mature enough yet to be fully supported by the private sector. ASTF seeks to apply market-based principles to the funding and management of these early stage commercial projects. ASTF activities must have some common characteristics: being based on potential sustainable market economics, pulling together competent teams to both develop and commercialize the science or technology, achieving clear benchmarks to insure Alaska benefit, involving the end user of the science or technology, and showing cost sharing demonstrating appropriate sharing of risk and reward.

Key FY03 Goals

Work with private sector to establish venture capital offices in state. (There is no active primarily venture capital organization currently in state and while no ASTF funding is anticipated for this area, this is an important capital gap for technology startups. Larger debt-equity deals are not being financed now or have to leave the state to obtain financing.)

Ensure that key industry led group projects (Alaska Manufacturers' Association, Information Technology Career Consortium, Alaska InvestNet, etc.) ramp up to meet defined market needs.

Continue to improve performance for ASTF-funded projects as measured by performance measures and project milestones.

Work with University of Alaska and Alaska engineering community to establish improved capability for cold regions engineering research and teaching at UAF and UAA. ASTF will potentially co-fund \$500 K/yr. in qualified projects to meet the federal match from the National Science Foundation Experimental Program to Stimulate Competitive Research (EPSCOR) to increase quality and lower the cost of arctic construction.

Work with all the state's major mapping companies on a private-public partnership to map the state to 1-5 meter resolution. The program was announced at the October 30, 2001, meeting to show how public agencies and private organizations including landowners can produce products at a lower cost and in less time than can the defined unfunded 5-year federal-only program. The goal is to build in Alaska a web-based capability to integrate elevation, geotechnical, and land cover information for the entire state. Alaska remains the least mapped state.

Work with statewide business groups (State Chamber, Resource Development Council, High Tech Business Council and 20/20 process) on enlarging discussion of steps to grow the state's New Economy and develop a more market sustainable economy. ASTF and the business groups are committed to working with local organizations on economic development and benchmarking progress on increasing per capita income and enlarging the private sector share of the state's economic base.

Longer-Term Goals

In 2001 ASTF adopted longer-term (five-year) goals that include:

Employment in the tech sector (telco, hardware, software, engineering services, refining, testing, electrical goods) increased to 17,000 (6% of total jobs) by 2006 compared to 11,000 (4% of total jobs) in 1999.

With \$3 million/year for technology and group projects, add 125 direct jobs/year.

Partners (Alaska Manufacturers' Association, Alaska Growth Capital, Alaska InvestNet, and Alaska High Tech Business Council) add 300 jobs/year.

2006 Survey of Business Leaders results indicate 75% (vs. 50% in 2000) rate the prospects for the Alaska economy in the next 3-5 years as good to excellent and over 50% (vs. 10% in 2000) rate the state as good or excellent in becoming less dependent on oil and gas industry to fund public services.

Third party inspected quality systems in place for Alaska timber (120 MMBF in 2006 vs. 80 in 2000) and salmon.

10% of state GNP is manufacturing (about 5% currently). Accomplishing this will be a stretch goal.

\$50 million capital in at least two additional local risk capital funds.

25 active accredited investor members of Alaska InvestNet.

Five Alaska school districts that have model information technology (IT) programs which the following capabilities: 1) IT certifications programs available to students, and 2) District IT Career Pathways which offer certification, ready to work skill development, school-business work experience, with a total of 100 certified student IT workers in state.

These goals are broader than the ASTF specific individual mission and measures appropriately identified by the legislature.

The ASTF Board recognizes that the accomplishment of these goals requires the active participations of organizations besides ASTF and full access to the ASTF endowment earnings. The Board sought to have clear 5-year goals in accomplishing our broader mission using risk capital, technology, and know-how to build an economy of sustainable wealth. ASTF also wanted to identify goals that were specific, based on available data, meaningful, and were outcomes rather than inputs.

Key Component Issues for FY2002 – 2003

ASTF's Ability to Provide New Grants is in Jeopardy

The ASTF endowment (\$101 million principal) is co-invested with the Permanent Fund and generates earnings. The earnings have been used for legislative appropriations, large grants, ASTF operations (primarily staff), partner organizations (economic development infrastructure), and technology, knowledge, and teacher grants.

In FY01, the Legislature appropriated \$9 M to ASTF's budget and legislative appropriations of \$2.63 million to UA and \$0.555 M to AADC. But with only \$5.2 million in earnings in FY01 from the ASTF endowment and paying the full \$3.2 M in set asides, ASTF had access to only \$2 M in new earnings to support its \$9 M budget and used a net of \$2 M in carryover funds. The set asides for non-ASTF purposes therefore jumped from 31% in FY00 to 62% in FY01. ASTF's ability to execute on its mission and even access the amount of earnings appropriated in the budget is dependent on ASTF having full access to its endowment earnings in FY03.

Annual earnings have declined from \$14 million in FY98 to \$12.7 million in FY1999 to \$10.4 million in FY00 and most recently to \$5.2 million in FY01. Earnings have declined primarily due to weaker stock market performance and a smaller earnings base. Over the last five years, ASTF's earnings base has eroded due to appropriations of \$13.1 million for the University of Alaska (UA) and \$2.7 million for Alaska Aerospace Development Corporation (AADC).

ASTF also used these historically higher earnings in FY95-00 to fund three large one time projects important for the state's technology development: \$10 million for constructing the Kodiak Launch Complex, \$5 million for wiring all of Alaska's K-12 public schools for the Internet, and \$3 million to capitalize the Alaska Growth Capital BIDCO, the state's first risk capital institution. These 3 projects leveraged over \$45 M in private, local, and federal funds to date. The combination of the weaker stock market and these large outlays were the primary factors that eroded ASTF's earnings reserve balance from \$11.3 million at the end of FY1999 to \$4.3 M in FY 2000 to \$2.4 million at the end of FY01.

In response to the weak earnings in FY00, ASTF took the following actions: no new large projects were funded, reduced distributions 60% vs. the prior year, and reduced new grant approvals 70% vs. the prior year. ASTF has maintained a flat operations budget.

For FY02, the legislature appropriated \$13,688,900 from Science & Technology Endowment Income as follows: \$10,491,900 for ASTF, \$2,630,000 for UA, and \$566,200 for AADC. Earnings for the first quarter of FY02 (7/1/01-9/30/01) were only \$761,900 (or only \$3 million on an annualized basis). Because of the high likelihood that FY 02 earnings will be significantly less than the appropriations for this year, at its August and October meetings, the ASTF Board voted to:

- Fund no new projects in FY02 until earnings had recovered sufficiently to meet all existing ASTF obligations and set-asides to UA and AADC.
- Cut the operations budget 15% for FY02.
- Continue to work with existing grantees to determine when they are likely to meet their milestones and when funds critical to ongoing work should be released.
- Reduce ASTF partner organization payments by 10% this year.

The ASTF Board believes the long-term solution is to replace ASTF funding for the annual UA and AADC appropriations beginning in FY03. In addition, the UA and AADC appropriations of ASTF funding may be reduced through the FY02 supplemental.

At a time when Alaska's economy is growing more slowly than the national economy, and our faster growing technology sector is still relatively small compared to other states, this lessened ability of ASTF to provide seed capital and finance group projects with industry merits concern.

Major Component Accomplishments in 2001

Accomplishments are tracked and managed by technical and commercial benchmarks identified at the time of project approval as well as surveyed annually to aggregate legislated key performance measures.

Engineering

- ASTF grantee Alaska Manufacturing Contractors (AMC) has completed building 40 manufactured homes at its facility at Point McKenzie from its patented design. These homes can be leveled using only 3 points, have improved heating and cooling, and demonstrate a superior arctic design. The project employs 50 workers, many from villages that will receive the housing (Mountain Village, Unalakleet, Emmonak, Nome, St. Michaels, and Shaktoolik). AMC production has replaced an out-of-state manufacturer. Afognak Native Corporation purchased 51% of AMC.
- Fairbanks manufacturer Sandhill Industries uses recycled glass to make decorative tiles for homes and business and has reached positive cash flow, employs five workers, and is considering expanding.
- Anchorage Muni's Geotechnical Committee has drafted microzone maps prepared by a UAF seismologist for local soil conditions from tremor data from 25 sensors around the Anchorage Bowl. The committee will now consider changes to building codes to increase safety and prevent over or under design of new structures. A major USGS grant was received that will allow continued and expanded operation of the sensors.

Energy

- Petro Star won a \$1.6 M competitive federal grant to scale up the chemical diesel desulfurization process ASTF and Petro Star both invested in three years ago. The next stage is a small pilot plant that will prove the economics of a new-patented process that will allow smaller Alaska-sized refineries to desulfurize diesel fuel to meet announced federal standards.

Environment

- Launched UAF project to determine when it is most cost effective to terminate soil remediation projects.
- Underwrote costs needed to research materials for new paperback book, Geology Guidebook of Anchorage.

Forestry & Wood Products

- Through ASTF support of the Alaska Manufacturers' Association (AKMA), six mills are now producing approximately 60 million board feet a year dimensional lumber graded by the Western Wood Products Association representative in state. Mills continue to pay more of the costs of this program and are now adding kiln capacity. With the low value of the Canadian dollar and Gateway Forest Products in Ketchikan production on hold, the Alaska industry is increasingly challenged. Nevertheless, Alaska mill owners and Alaska service providers continue to be more coordinated and committed to higher value products.
- The Ketchikan Wood Technology Center is now operational and started a program to confirm the superior design properties of Alaska Sitka and white spruce, cedar, and hemlock. ASTF funds are leveraged 6:1 by local, federal, and private funds.

Fisheries & Aquaculture

- Developing a new product line of tropical fish food made from fresh seafood waste.
- Paralytic Shellfish Poisoning (PSP) test kit demonstrated at Palmer DEC lab and field kit testing done. 2000 new kits are now distributed and training on test kits has been held in Kodiak and Anchorage and will be held in Ketchikan.
- Second year of the Cordova Salmon quality project has been completed by fishers, processors, Surefish, and Alaska Manufacturers' Association.
- Launched a study to see if fish oil can be blended with diesel oil at UniSea electric generators in Dutch Harbor to lower fuel costs and meet regulatory requirements. Preliminary air emission testing was acceptable. Phase II to examine long-term wear and tear has commenced.
- Scientific Fisheries of Anchorage has sold units of its computer-controlled sonar-based system to increase harvesting efficiency and reduce by catch and targeting best size of identified species.
- A Kodiak firm field tested an automatic image recognition system to track and record the catch of long line fishing vessels which could potentially lower the cost and need for human observers currently required by law.

Public Health & Safety

- The state's first genotyping lab in Anchorage for the earlier detection and treatment of Alaskans with Hepatitis C has passed a quality milestone to assess treatment options. Project participants include the Alaska Native Medical Center, UAA, and representatives of Providence Hospital and Alaska Regional Hospital. They are now contacting Alaskans who may be carriers of the virus. Hepatitis C represents an enormous health risk and cost since symptoms usually do not occur until years after infection and can require expensive treatment or liver transplants if not detected early.
- Launched a group project with UAA and three rural health clinics to evaluate the effectiveness of telemedicine mental health services in Alaska.

- Launched a project designed to determine the rate of antibiotic resistance and the rate of re-infection with *H. pylori* in non-natives living in Anchorage. *H. pylori* is a major contributing factor in the incidence of stomach ulcers.

Infrastructure for Economic Development

- Alaska Growth Capital (AGC) BIDCO capitalization reports it has made loans or equity investments to 25 organizations that have created or retained 366 jobs. Originally capitalized by ASTF and Arctic Slope Regional Corporation at \$6 million, AGC now has over \$11 million to do pre-bankable deals. Key projects include initial financing of Wrangell Seafood plant, Adak Seafood, and smaller technology companies. ASTF and AGC co-financed a new product line for Omega Sea plant in Sitka and equipment for a garnet mine in the Interior.
- Alaska InvestNet introduces entrepreneurs to investors. Equity placements have occurred in businesses generating 40 jobs and \$3 million in revenues. Alaska InvestNet held five venture breakfasts and nine forums in Fairbanks, Juneau, and Anchorage on business evaluation, SEC regulations regarding raising private equity, and business planning for startup ventures.
- ASTF and UA convened Information Technology employers and educators and agreed on technical and soft skills necessary for 15 different IT occupations in demand in the state. As a result, ASTF funded the Alaska High Tech Business Council to launch the startup of the IT Careers Consortium, employers are matching ASTF funds for program to educate and hire new IT workers, and Anchorage Muni and Mat-Su gained \$2.3 M federal grant for training IT workers based on skill and job shortages documented by the group project.
- ASTF-supported Alaska Technology Transfer Assistance has helped Alaskan entrepreneurs win \$2.5 million of federal Small Business Innovation Research seed grants, an all time high.

K-12 Teachers

- An estimated 3000 K-12 students statewide participated in ASTF-funded classroom projects in math, science, or technology. To date, ASTF has funded 356 grants to teachers.
- All teacher science projects are accessible on the ASTF web site at www.astf.org.

Mining

- A Fairbanks miner is now selling processed garnet as a sand blasting product that is replacing imported material.
- A major statewide research program remains on track to develop a clearer science base for the major permitting issue of the impact of Total Dissolved Solid (TDS) on fish reproduction and to develop an Alaskan biological marker species to bring more certainty to the impact of proposed mining operations. This project is being done in conjunction with state agencies and the Alaska Producers Council working with researchers at UAF and UAS.
- Launched the Ester Dome project with broad stakeholder involvement to characterize the geo-hydrology of Ester Dome and other Interior Alaska dome structures.

Agriculture

- Anchorage manufacturing facility (Alaska Fresh Cut) employs 60 people and processes fresh produce (carrots, lettuce, radishes, etc.) from Matanuska Valley farmers into salad ingredients and replacing some imported ready to eat salads.
- Demonstrated that Alaska potatoes have the chipability characteristics necessary to attract a potato chip manufacturing plant.
- UAF has licensed to distributor improved Muskox feed mixture for increased qiviut production. Research continues on feed supplements to increase calf survival.

Other

- Co-sponsored the Sixth Natural Gas Conversion Symposium that brought 300 scientists, engineers, and managers to Alaska in June to discuss the latest technical developments in gas-to-liquids and related technologies.
- Over 5000 Alaskans attended the very popular UAA/UAF Science and Society Lecture Series last winter in Fairbanks and Anchorage. The series will expand to Juneau this winter.

Science & Engineering Infrastructure

- Funded the educational/internet component of Alaskan students on the repeat of the 1899 Harriman Sailing Expedition. A national PBS documentary is expected next year.
- Supported a multi-vendor project to demonstrate how different derived products are possible from a public/private statewide mapping partnership initiative.

Software Development

- Funded Anchorage entrepreneurs developing human resources software and services. Sales have commenced.

- Supported a start-up company to produce mapping software that assists in obtaining stakeholder project input via the Internet.

Administration

- Revised Alaska Science and Technology Innovation Index released (www.astf.org) which benchmarks Alaska's performance over time in building a technology-based economy and benchmarks Alaska's key inputs to economic development against other states and the nation.
- Agreed on common 5 page business non-proprietary plan format for business plans at InvestNet and business plan competitions and longer proprietary business plan format necessary for ASTF, AGC, or investor financing.
- Met internal benchmarks for timely response for preproposals, proposals, and grant agreements.
- Updated documentation of repayment obligations and status for all ASTF projects to date.
- Updated Guide to Business and Technical Assistance so any Alaskans can characterize the type of assistance sought and business they are and be led to the right contact information and program. See www.astf.org. This project came out of a Governor's Small Business Program Evaluation Task Force recommendation.

Statutory and Regulatory Authority

AS37.17.010-17.040
AS37.17.200
AS37.17.440
AS10.10.010
Executive Order No. 90

Key Performance Measures for FY2003**Measure:**

The number of new jobs from technology projects.
Sec 32(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

In September 2001, ASTF surveyed 47 technology project grantees and received responses from 46 grantees. The surveys were sent to grantees that had completed their grant work within the last five years as well as active grantees that are farther along with their project or product development.

Thirty grantees reported a total of 211 full time equivalent jobs resulting from their ASTF project.

Target: an average of five jobs per grantee for those grantees reporting jobs and at least 50% of technology project grantees reporting jobs. This ratio reflects that grantees have both technical and business hurdles to achieve. ASTF co-invests in early stage business concepts prior to the concept becoming 'bankable'.

Benchmark Comparisons:

Annually, ASTF prepares an Alaska science and technology innovation index which can be downloaded from ASTF's website at:

<http://www.astf.org/admin/files/data/docs/TechIndex2001.pdf>.

This index includes historical trends and comparisons with selected other states and the U.S. average. The index represents a snapshot in understanding areas where Alaska is either doing well, average, or poorly in terms of its economy and science and technology innovation and potential.

Background and Strategies:

ASTF co-invests in new and existing firms that use science or technological innovation to grow their business and achieve Alaska economic benefit. To achieve new job/revenue creation, ASTF co-invests in firms that have strong business plans, management capability, and plans for post-ASTF grant funding if required.

Measure:

Project diversity.

Sec 32(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

In FY01, ASTF provided funding to 134 grantees in thirteen categories. 63 of these grantees were direct grant to teachers.

Target: funding in at least seven categories.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

ASTF accepts and considers all proposals for projects that conform to its stated standards. ASTF reserves the right to fund proposals in any area of inquiry. ASTF has five types of grants available: technology projects, knowledge projects, group projects, small business innovation research bridging grants, and direct grants to teachers. For convenience, ASTF reports its funded projects in the following fourteen categories: agriculture, energy, engineering, environment, forestry and wood products, fisheries and aquaculture, public health and safety, infrastructure for economic development, internet, K-12 teachers, mining, other, science and engineering infrastructure, and software development. In FY01, the only category not receiving funds was other.

Measure:

The new revenue from technology projects.

Sec 32(b)(3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Twenty-eight grantees reported \$21.2 million in new revenue resulting from their ASTF project.

Target: an average of \$250,000 per grantee for those grantees reporting revenues and at least 40% of the technology project grantees reporting jobs. This percentage (40%) is less than the suggested 50% percentage of grantees reporting jobs because developments jobs are required prior to the onset of sales.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

ASTF co-invests in new and existing firms that use science or technological innovation to grow their business and achieve Alaska economic benefit. To achieve new job/revenue creation, ASTF co-invests in firms that have strong business plans, management capability, and plans for post-ASTF grant funding if required.

Measure:

The percentage of technology project grantees in business because of ASTF grants.

Sec 32(b)(4) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

67% (31 out of 46) reported being in business because of their ASTF grant.

Target: 50% in business because of their ASTF grant.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

ASTF co-invests in new business concepts in a portfolio of both new and existing firms. Most Alaskan firms cannot afford R&D projects or risk. New firms offer exciting growth possibilities. Existing firms seeking to add a new business line offer business experience and infrastructure, managerial and financial depth, and support services.

Measure:

The change in student achievement in math and science in schools that received ASTF teacher grants.
Sec 32(b)(5) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

ASTF surveyed 29 FY00 teacher grantees and received responses from 20, a 69% response rate. An average of 205 students participated in each teacher grant. Approximately 43% of participating students were located in rural schools.

35% greatly increased, 46% increased, 19% no change, 0% decreased, 0% greatly decreased. A total of 81% either increased or greatly increased their achievement due to the ASTF teacher grant.

Target: at least 80% increased or greatly increased.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

ASTF develops Alaska's capacity for science and engineering by funding competitive science, math and technology classroom projects for Alaska K-12 students. These projects have been highly successful in developing students' interest and achievement in math, science and technology. Due to ASTF's current fiscal restraints, a downsized K-12 program of twenty regular teacher grants and four specialized grants targeting critically understaffed career fields is planned for FY02.

Measure:

The increase in student interest in math and science in schools that received ASTF teacher grants.
Sec 32(b)(6) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

38% greatly increased, 47% increased, 15% no change, 0% decreased, and 0% greatly decreased. A total of 85% either increased or greatly increased their interest due to an ASTF teacher grant.

Target: at least 80% increased or greatly increased.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

ASTF develops Alaska's capacity for science and engineering by funding competitive science, math and technology classroom projects for Alaska K-12 students. These projects have been highly successful in developing students' interest and achievement in math, science and technology. Due to ASTF's current fiscal restraints, a downsized K-12 program of twenty regular teacher grants and four specialized grants targeting critically understaffed career fields is planned for FY02.

Alaska Science and Technology Foundation

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	669.3	653.9	682.4
72000 Travel	39.1	84.0	84.0
73000 Contractual	420.7	523.3	521.5
74000 Supplies	17.0	16.5	16.5
75000 Equipment	13.9	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	4,200.2	9,214.2	9,214.2
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	5,360.2	10,491.9	10,518.6
Funding Sources:			
1025 Science & Technology Endowment Income	5,360.2	10,491.9	10,518.6
Funding Totals	5,360.2	10,491.9	10,518.6

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
Restricted Revenues						
Science/Technology Endowment Income	51375	5,360.2	10,491.9	10,491.9	10,518.6	10,518.6
Restricted Total		5,360.2	10,491.9	10,491.9	10,518.6	10,518.6
Total Estimated Revenues		5,360.2	10,491.9	10,491.9	10,518.6	10,518.6

Alaska Science and Technology Foundation
Proposed Changes in Levels of Service for FY2003

None.

Summary of Component Budget Changes
From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	0.0	10,491.9	10,491.9
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	0.0	0.0	26.7	26.7
FY2003 Governor	0.0	0.0	10,518.6	10,518.6

Alaska Science and Technology Foundation

Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	6	6	Annual Salaries	528,804
Part-time	1	1	COLA	18,818
Nonpermanent	0	0	Premium Pay	4,800
			Annual Benefits	151,034
			<i>Less 2.99% Vacancy Factor</i>	(21,056)
			Lump Sum Premium Pay	0
Totals	7	7	Total Personal Services	682,400

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Admin Assistant	1	0	0	0	1
Executive Director, ASTF	1	0	0	0	1
Grants Administrator	1	0	0	0	1
Group Projects Administrator	1	0	0	0	1
Office Manager	1	0	0	0	1
Outreach Administrator	0	1	0	0	1
Technology Administrator, ASTF	1	0	0	0	1
Totals	6	1	0	0	7

BRU/Component: Alaska Seafood Marketing Institute

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

Contact: Barbara J. Belknap, Executive Director

Tel: (907) 465-5560 **Fax:** (907) 465-5572 **E-mail:** Barbara_Belknap@dced.state.ak.us

Component Mission

The mission of the Alaska Seafood Marketing Institute (ASMI) is to:

1. increase worldwide consumption of Alaska seafood;
2. promote the quality and superiority of Alaska seafood products; and
3. accomplish these marketing efforts while maximizing ASMI staff Alaska resident employment in Alaska.

Component Services Provided

Export Marketing – ASMI markets Alaska Seafood products in China/Hong Kong, Japan, Taiwan, Korea, Australia, and the European Union. Using in-country contractors, ASMI conducts retail and foodservice promotions, public relations activities, tradeshow, consumer and advertising, and special events and seminars. This program is funded by a USDA grant through the Foreign Agricultural Service with a Receipt Supported Services match and a 50% in-kind match from third parties.

Domestic Marketing – ASMI markets all species of Alaska Seafood in the retail and foodservice (hotel restaurants and institutions) sectors of the United States market. Using four contractors based in Florida, Texas, Ohio and California, and staff, ASMI conducts promotions, public relations activities, tradeshow, trade advertising, special events, and in-depth Alaska Seafood training conferences for Executive Chefs of restaurant chains, hotel chains, and (in 2001) cruise ships.

Seafood Technical – ASMI conducts quality training programs for seafood handlers from the harvester to the retailer, including air cargo shippers. The Seafood Technical program monitors labeling laws around the world and state, federal and international seafood requirements. It tracks developments with the organic labeling issue, health benefits of Alaska Seafood, and other important national and international issues that affect the entire industry. There is no other entity in Alaska that performs as broad a function as this component on behalf of the industry.

Public Relations – ASMI issues press releases, serves as liaison with the national and international press on issues affecting Alaska Seafood, publishes ASMI's newsletter, manages the Salmon Market Information Service, and educates the industry and the public about ASMI's programs. The national component of this program was cut due to budget constraints.

Salmon Marketing Initiative – Develops and coordinates an Alaska salmon marketing plan that will lead to increased sales volume and product value for the Alaska salmon industry in the US market. (This is a 3-year program (2000-2003) funded by an EDA grant to assist the Alaska salmon industry combat imported farmed salmon in the United States Market.)

Component Goals and Strategies

Redirect the retail marketing program from national promotions to customized programs for major retail chains that move high volumes of Alaska Seafood. Work with smaller 'boutique' retailers that have a track record of valuing Alaska Seafood products to ensure markets that are not based on price alone.

Conduct a pilot project for a special Alaska Seafood Section similar to the Angus Beef section in meat counters.

Continue focus on health benefits, ease of preparation, sustainability (the Marine Stewardship Council certification), and the Alaska brand. In FY03, stress the fact that this is an American industry.

Promote canned salmon with targeted marketing events like NASCAR races, “cause marketing” such as Breast Cancer Awareness Month, and special in-store promotions. ASMI will also act as an advocate for the approval of the American Heart Association “Heart-check” logo on canned salmon, which would be a major breakthrough.

Develop a foodservice-retail synergy with simultaneous ASMI activities in local restaurants and nearby grocery stores so that consumers can purchase the products they have enjoyed in their neighborhood restaurant.

Aggressively pursue the shrinking number of national distribution chains and ensure that Alaska Seafood does not become a victim of consolidation. (Distributors sell the vast majority of seafood products to the foodservice and retail sectors.)

Build on the success of FY2001 in the foodservice arena by expanding the number of restaurant chains that now brand Alaska on their menus. Build an Alaska Seafood customer base with private clubs, university feeding programs and ethnic restaurants (Latino and Asian).

Combat the forces that are devaluing the salmon of Alaska and reducing the profitability of the Alaska salmon industry in all markets.

Research shows that many consumers around the world are not aware that all salmon are not wild and natural. Farmed salmon producers are not marketing their products as farmed and use the word “natural” to market salmon reared in pens.

- ASMI will use public relations, chef training, seafood manager (grocer) training, cooking shows, consumer education, and special events to further develop awareness of Alaska Salmon as a wild natural product as opposed to farm-reared industrial salmon.
- ASMI will place stories in the media (print and television through Public Service Announcements in the U.S.) that point out how farmed salmon imports are damaging the Alaska seafood industry and the impact that is having on the state’s fishing families, processors and small communities.
- In the United States, ASMI will pursue opportunities for Alaska Salmon as an ingredient in ready-to-eat and convenience meals. This area is dominated by chicken and beef. ASMI will seek out food manufacturers and present opportunities to the salmon industry. This could be a new market for the lower value and lower quality salmon that is now canned or sold at extremely low margins.

Quality handling continues to be one of the most serious issues facing the industry. ASMI will develop quality training materials on CD-ROM for all seafood handlers to improve the quality of Alaska Seafood. Each program will have a test and a certificate that can be printed to show completion of the course.

Key Component Issues for FY2002 – 2003

The seafood industry, Alaska's largest private sector employer, is suffering from severely depressed salmon market prices. These depressed market prices are, in large part, being driven by a flood of farmed salmon. As a result, average ex-vessel prices for Alaskan wild salmon are low. Revenue generated by the 1% Salmon Marketing Tax is expected to decline from FY02 levels by at least \$700.0. This reduction will have a significant negative impact on ASMI's marketing efforts. Increased marketing will be needed to help offset depressed market conditions. To have an effect on the upcoming summer fishing season, this will need to be addressed prior to FY03.

Combat the impacts of farmed salmon on the Alaska salmon industry both in the United States and abroad.

Use every method at ASMI's disposal to improve the quality of Alaska Salmon and educate the industry on the consequences in the world markets of not doing so.

Conduct research in the US and overseas markets to position Alaska wild halibut in the market against the future threat of farmed halibut.

Major Component Accomplishments in 2001

Alaska Seafood was ranked #3 of the top ten brands in the top 500 restaurant chains in the United States. Building the Alaska Seafood brand is the best way to raise the products from a commodity status to a recognized brand similar to Idaho Potatoes and Washington Apples.

A Salmon Index was established for the U.S. market. This is a monitoring index composed of several measurements that are weighed together to create a composite number. Such measurements include attitude and awareness, media exposure, positive associations with Alaskan Salmon, price/value relationships, awareness of industry issues, and farmed salmon issues. Having established a quantifiable baseline in Year 1, ASMI will measure change over the subsequent years.

The UK market is the largest Alaska Canned Salmon market in the world. Norwegian, Irish and Scottish farmed salmon have dominated the fresh/frozen market. In 2000, pink salmon fillets were sold in 305 stores in the United Kingdom in ASMI promotions. This was followed in 2001 by sockeye, coho and keta salmon.

ASMI conducted two trade missions of Mediterranean and German salmon smokers to Alaska in FY01. After more than 10 years of almost 100% usage of farmed salmon from Norway, Ireland and Scotland, these companies are coming back to wild Alaska Salmon in spite of considerable tariffs and inconsistent supply.

For the first time, major metropolitan newspapers in the United States carried feature stories on the differences between wild and farmed salmon and the impact farmed salmon is having on the Alaska Salmon industry. These articles were generated by press kits sent out to 800 editors by ASMI. (Research indicates that salmon consumers are more likely to purchase Alaska Salmon if they know the impact farmed salmon is having on Alaska fishing families.)

Statutory and Regulatory Authority

AS 16.51.010-180
AS 43.76.110-130
15 AAC 116.600-700

Key Performance Measures for FY2003

Measure:

The increase in the development of new markets.
Sec 33(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Increase the presence of Alaska Seafood in the Takeout Market. FY01 was ASMI's second year of a program to position Alaska seafood in the US takeout market (ready-to-eat or ready-to-heat meals), now dominated by beef and chicken. ASMI promotions with salmon, halibut, cod and King Crab legs at the Byerly's/Lund's supermarket chain of 19 stores resulted in a 21.7% increase in sales over the previous year, with the deli and bakery up 4.3%. A month-long promotion at Mallard's and O'Brien's supermarkets with halibut, crab cakes, snow crab, shrimp and salmon resulted in a 20% increase in sales over the same period the year before.

Market Alaska Seafood to Children. A "Kids Program" was initiated in the United States with family restaurants complete with placemats for kids to draw on and washable tattoos of Alaska animals and fish

- Book covers for school kids were developed with Alaska-related pictures and trivia that the kids can color
- Alaska Salmon Lifecycle curriculum was written by two retired Juneau teachers and put on ASMI's webpage (www.alaskaseafood.org)
- Alaska Sockeye was featured on the Cartoon Network in Japan
- Parent Teacher Association cooking contests for moms were held in Japan
- School Canteen (cafeteria) promotions were held in Australia
- Canned Salmon for Lunch contests were held for school children in the United Kingdom

Develop the Alaska Seafood Market in China. After three years of developing this market, China's entry into the WTO will dramatically change the picture for imports from overseas. Norwegian and Chilean farmed salmon is well-established. ASMI will continue to build preference and usage for Alaska Salmon.

Imports to China in FY01 increased 10% over FY00. ASMI promotions moved 26% more product than FY01 even with the downturn in Alaska Crab production.

Benchmark Comparisons:

ASMI is the nation's largest seafood organization representing a single state. It is the only one of any size that markets more than one species of seafood. Other comparable organizations would be the Norwegian Seafood Export Council, which markets all species of seafood from Norway for a budget of approximately \$42,000,000 per year. Their return on marketing investment is not public information. Chile is also often compared to Alaska (although their production is twice as high and growing). They belong to the International Salmon Farmers Association, which does not have a viable marketing program at this time in our markets. Their salmon products are sold primarily on price.

Background and Strategies:

Increase the presence of Alaska Seafood in the Takeout Market. Takeout is one of the fastest growing segments of the food market. The use of seafood is limited. ASMI will build on the success of the Bylerly's program and take on other upscale grocery store chains with similar promotions that utilize Alaska seafood in different sections of the store.

Market Alaska Seafood to Children. This program is entering its third year. The goal is to start children on seafood at a young age and encourage parents to purchase Alaska seafood for both meals at home and in restaurants. The strategy focuses primarily on foodservice, but will now include specific easy-to-fix kid-friendly recipe programs targeting young families shopping at retail.

Develop the Alaska Seafood Market in China. China is the best example of a developing market. While most imported Alaska Salmon and groundfish is re-exported in value-added form (i.e., pinbone out fillets), more is staying in the country for local consumption. ASMI has been preparing the ground for the impact that entry into the World Trade Organization will have on Alaska Seafood imports. Alaska Crab is a major import into China and the downturn in quota has impacted overall export figures from Alaska. However, more Alaska Salmon (primarily Keta) is staying in the country and appearing in restaurants and in grocery stores. ASMI has been planting the seeds for expansion in this market and will work on three primary areas: getting Alaska processors to sell product into the market rather than just for reprocessing; target the luxury hotels and restaurants for high-end products; target retail for the more moderately priced pinks and chums.

Measure:

The change in pounds of value-added seafood sold.
Sec 33(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Approximately 65% of the seafood sold at foodservice is in value-added form. This trend is growing at 7-10% per year. The figures below were taken from *Ken Talley's Seafood Newsletter* and reflect the calendar year 2000 in the United States market.

- Salmon:
 - Steak production was up 24%.
 - Salmon fillet production was down 18%.
 - Headed and gutted salmon made up approximately 30% of the salmon products.
 - Canned salmon: Production of canned pink salmon was down 40%; canned sockeye production was up 6%.
- Pollock: Fillet production was up 11% in 2000. Value-added pollock is surimi, fillets, minced blocks. (In 1999, 292,000 metric tons went into fillets, 317,900 metric tons went into surimi, and 9,100,000 metric tons went into minced pollock.)
- Cod: Fillet production dropped 8%. (Cod is sent in Headed and Gutted (H&G) form to Europe and Asia where it is reprocessed into fillets and salted cod. The North American market is primarily fillet form.)
- Halibut: Steak production was up 14%.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

ASMI can only report on the numbers that are available through the seafood trade publications and the Commercial Operators Annual Reports for salmon. The above figures reflect all salmon in the United States, including farmed. Canned salmon, Pollock, and cod are primarily Alaska product. Halibut can be sourced from Alaska, Canada and the Pacific Northwest. Over the past 5-6 years, Alaska seafood has been exported to China and Thailand where value is added and the products are shipped worldwide.

Measure:

The change in pounds of seafood sold.
Sec 33(b)(3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

FY00: 40,950,000 lbs. sold through ASMI promotions
1.6 million cases of canned salmon in the US

FY01: 37,910,190 lbs.* sold through ASMI promotions
1.4 million cases of canned salmon in the US
**Shellfish production in 2000 dropped 74%. Salmon harvests were down 37%.*

Note: the error margin is approximately 10% under actual sales; numbers of pounds moved is considered proprietary by some promotion partners and not always available to ASMI.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

ASMI works on a "push" marketing strategy – getting the primary buyers to purchase Alaska seafood. The purpose is to move pounds and provide the Alaska seafood industry with a return on their marketing investment. ASMI is rededicating itself to this principle by focusing on the top performers at retail and, with reduced budgets, prioritizing our partners by how much volume they can sell. The Salmon Market Initiative funded by the EDA will provide the "pull" strategy – getting consumers into the stores and restaurants to ask for Alaska salmon and other Alaska seafood products.

Alaska Seafood Marketing Institute

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	1,223.7	1,209.9	1,272.3
72000 Travel	386.9	418.0	418.0
73000 Contractual	6,700.9	9,413.8	8,703.0
74000 Supplies	239.7	180.0	180.0
75000 Equipment	37.1	8.5	8.5
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	8,588.3	11,230.2	10,581.8
Funding Sources:			
1002 Federal Receipts	1,643.2	3,500.0	3,500.0
1007 Inter-Agency Receipts	2.8	0.0	0.0
1053 Investment Loss Trust Fund	30.5	0.0	0.0
1156 Receipt Supported Services	6,911.8	7,730.2	7,081.8
Funding Totals	8,588.3	11,230.2	10,581.8

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
<u>Unrestricted Revenues</u>						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
<u>Restricted Revenues</u>						
Federal Receipts	51010	1,643.2	3,500.0	3,500.0	3,500.0	3,500.0
Interagency Receipts	51015	2.8	0.0	0.0	0.0	0.0
Receipt Supported Services	51073	6,911.8	7,030.3	7,030.3	7,081.8	7,081.8
Investment Loss Trust Fund	51393	30.5	0.0	0.0	0.0	0.0
Restricted Total		8,588.3	10,530.3	10,530.3	10,581.8	10,581.8
Total Estimated Revenues		8,588.3	10,530.3	10,530.3	10,581.8	10,581.8

Alaska Seafood Marketing Institute

Proposed Changes in Levels of Service for FY2003

The seafood industry, Alaska's largest private sector employer, is suffering from severely depressed salmon market prices. These depressed market prices are, in large part, being driven by a flood of farmed salmon. As a result, average ex-vessel prices for Alaskan wild salmon are low. Revenue generated by the 1% Salmon Marketing Tax is expected to decline from FY02 levels by at least \$700.0. This reduction will have a significant negative impact on ASMI's marketing efforts. Increased marketing will be needed to help offset depressed market conditions. To have an effect on the upcoming summer fishing season, this will need to be addressed prior to FY03.

Summary of Component Budget Changes

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	3,500.0	7,730.2	11,230.2
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	0.0	0.0	51.6	51.6
Proposed budget decreases:				
-Anticipated Reduction in Salmon Marketing Taxes	0.0	0.0	-700.0	-700.0
FY2003 Governor	0.0	3,500.0	7,081.8	10,581.8

Alaska Seafood Marketing Institute

Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	18	18	Annual Salaries	944,672
Part-time	0	0	COLA	33,708
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	321,298
			<i>Less 2.11% Vacancy Factor</i>	(27,378)
			Lump Sum Premium Pay	0
Totals	18	18	Total Personal Services	1,272,300

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Technician	0	0	3	0	3
Admin Support Technician	0	0	1	1	2
Administrative Officer	0	0	1	0	1
Asst Marketing Director	0	0	0	1	1
Communications Coordinator	0	0	1	0	1
Executive Director	0	0	1	0	1
Export Program Director	0	0	0	1	1
Foodservice Director	0	0	0	1	1
Marketing Assistant	0	0	0	1	1
Marketing Specialist	0	0	0	2	2
Project Assistant	0	0	1	0	1
Quality Assurance Coordinator	0	0	1	0	1
Retail Program Director	0	0	0	1	1
Sr Marketing Spec/Res Analyst	0	0	0	1	1
Totals	0	0	9	9	18

BRU/Component: Banking, Securities and Corporations

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

Contact: Franklin T. Elder, Division Director

Tel: (907) 465-2521 **Fax:** (907) 465-2549 **E-mail:** Terry_Elder@dced.state.ak.us

Component Mission

The mission of the Division of Banking, Securities, and Corporations is to:

1. maintain a stable financial network in the state for the safe conduct of financial services;
2. protect securities investors;
3. provide businesses with a legal structure enabling commerce in the state.

Component Services Provided

Banking (Financial Institution Regulation): regulates financial institutions that are chartered or licensed under state law.

- Charters, licenses, and supervises state-chartered commercial banks, mutual savings banks, credit unions, trust companies, bank holding companies, interstate branching, small loan offices, premium finance companies, Commercial Fishing and Agriculture Bank (CFAB), and Business and Industrial Development Corporations (BIDCOs); and accepts filings under the Model Foreign Bank Loan Act.
- Monitors all aspects of the regulated financial industry, including various financial ratios and management policies through safety and soundness examinations and from information gathered through other reporting by institutions. Makes suggestions to institutions to improve practices and policies. May require an institution to take corrective actions if the division finds material safety and soundness concerns.

Securities Regulation: administers the Alaska Securities Act, which deals with broker-dealers, investment advisers, and the securities and advice they sell.

- Regulates the offer and sale of securities in Alaska. Enforces the anti-fraud and disclosure requirements of the Alaska Securities Act. Regulation and enforcement provide a responsible marketplace that encourages the financing of legitimate business and industry in the state. Seeks to increase small business access to capital while assuring that investor protection is not compromised.
- Regulates proxy solicitations for certain large ANCSA corporations with billions of dollars of assets, affecting thousands of Alaskans who are shareholders of these corporations. The Alaska Securities Act requires the filing of proxy statements and related materials, and provides authority for remedial action for violations of the Act and regulations.

The Corporations Section: provides legal recognition to a business by serving as a filing agency, assisting the private sector in processing documents in compliance with state law. Examines and files organization documents of corporations (domestic and foreign; non-profit and for profit), Limited Liability Companies, Limited Liability Partnerships, Partnerships, Cooperatives, and Professional Corporations, and documents to register Trademarks and Trade Names. Provides information and copies of documents on file by request.

Component Goals and Strategies

Develop and maintain a stable and responsible state-chartered financial institution system to serve all of Alaska's communities, especially where the institutions draw their deposits and support.

- Monitor institutions for safety and soundness by regular, joint (federal and state) examination, and, where possible, recommend ways to improve the strength and responsiveness of state-chartered financial institutions, and to increase banking services.
- Increase the confidence of the public, the industry, and other state and federal regulators in the division reports of safety and soundness examinations by seeking, attaining, and maintaining program accreditation and examiner certification by the Conference of State Bank Supervisors.

Provide effective investor protection against financial loss due to fraudulent and other illegal activities in the securities business, and efficiently serve the Alaska business and finance community legitimately seeking to raise capital.

- Improve services to the public and businesses by purchasing and installing the securities database funded in FY02, and by developing the capability to accept filings electronically and to provide public access to information on the Internet.
- Improve investor protection by maintaining a regular examination schedule of the sales practices of state investment advisers, and by investigating complaints and taking appropriate formal and informal action to enforce securities laws.
- Develop a better-informed investing public through an investor education program including financial literacy in schools programs, curriculum support to teachers, and web-based public educational information.
- Encourage capital formation by providing information to businesses regarding issuing securities in Alaska.

Create and maintain a friendly, helpful service for the general public and business organizations of all types and origins that want to organize and do business in Alaska.

- Improve efficiency in processing filed paperwork by redesigning and improving the corporations database and by installing automated equipment that will reduce processing time, and will improve the ability of the public to access information and make filings via the Internet.
- Increase the public's accessibility to file and receive corporate documents by accepting faxed documents and payments via credit cards or the Automated Clearing House System, and by publishing forms on the Internet that can be filled out and filed electronically.
- Improve service to the public by imaging documents currently in microfilm and microfiche, thereby greatly speeding the ability to respond to information requests and providing the ability to make access to these documents easy and direct over the Internet.

Key Component Issues for FY2002 – 2003

NEED FOR ADEQUATE RESOURCES – The division's activities generate revenues equal to more than 6 times the division's appropriation. It is imperative that the division receives a sufficient share of these resources to be able to meet its mission of public service and protection.

- The federal government and the securities industry nationally have been critical of states for collecting fees far in excess of regulatory expenditures. This makes our fees vulnerable to congressional action. In fact, federal legislation was introduced to reduce the fees of the Securities and Exchange Commission, and a federal GAO report criticized states on this issue.
- While the division does not seek to spend all, or even most, of the funds its activities generate, the division does believe it has an obligation to provide a serious, effective, and efficient regulatory program using a reasonable part of its fee revenue.
- The division seeks funding to address major deficiencies in (1) providing electronic services to the public, (2) improving staff efficiencies through effective use of technology, (3) improving public protection through increases in investigative and legal services and through implementation of an examination schedule for state investment advisory firms, and (4) improving confidence and effectiveness by seeking accreditation by the Conference of State Bank Supervisors (CSBS).

INCREASE USE OF MODERN TECHNOLOGY TO INCREASE SERVICE AND IMPROVE EFFICIENCY – The division's data processing staff has been working hard with the section supervisor on a project to improve the corporations section database, to automate procedures, and to simplify work processes.

- To complete this effort in FY03, the division requires a significant upgrade to its computing and document imaging capabilities.
- This investment will pay dividends for years, and will allow the division to accept filings electronically and to provide improved public access to information via the Internet.
- This should allow the division to provide for continued expected growth in corporations section filings without the need for a commensurate increase in staff.
- The division also will acquire and install the new securities database in FY02, and maintain and update it with maintenance funds requested in FY03 in order to provide public access to securities database information for the first time ever.

IMPROVE INVESTOR AND DEPOSITOR PROTECTION PROGRAM – Enforcement is a major part of what the banking and securities section does. In the last two fiscal years, the securities regulators received 118 securities complaints, issued 21 orders fining violators \$117,000, and helped Alaskan investors recover \$524,000. The division also may need to take actions against financial institutions that could include removal of officers and taking control of the institution, in extreme cases. The division is in serious need of improved investigative and legal services to support its enforcement actions.

- The division seeks to add an experienced investigator to its professional staff to work with examiners in developing a case for resolution or hearing.
- The division seeks funds to RSA to the Department of Law for a half-time attorney with expertise in banking and securities law to provide assistance in representing the division in enforcement cases, reviewing administrative orders for form and content, interpreting state and federal law, providing legal analysis of proposed legislation and regulations, and providing legal services related to financial institution failures and securities violations.
- Both of these increments will improve the quality of the division's investigations, will prevent backlogs from developing when all the examiners become involved with a complex case, and will improve investor and depositor protection which is the primary objective of the banking and securities section.

IMPROVE STAFF TRAINING AND PROGRAM ACCEPTANCE AND EFFECTIVENESS - A competent, well-trained professional staff is critical to accomplishment of the division's mission. Also, it is critical that the division's examinations and enforcement actions are recognized and accepted by federal and other state regulators.

- The division seeks funding to obtain accreditation of the bank regulation program by the Conference of State Bank Supervisors (CSBS). Currently, 44 other jurisdictions are accredited by CSBS. Training is one element CSBS considers, but it also reviews the entire program to determine if it meets national standards of excellence. Accreditation and examiner certification by CSBS will assure the industry that other state and federal regulators will accept Alaska examination reports. They accept them because accreditation and certification assures them our staff meets high standards of training and experience.
- The division has combined the banking and the securities examination staff and plans to provide cross training and experience to develop a more efficient, flexible examination staff.
- With the loss of one senior examiner in the budget process in FY02 and with the impending retirement of the division's most senior financial institution examiner in FY03, it is imperative that the division provide a high level of training to existing staff and to new staff expected in FY03 to make up for the loss.

Major Component Accomplishments in 2001

Banking: Drafted and introduced as HB 106 a rewrite of several chapters in Title 6 to (1) bring statutes into compliance with major provisions of the Gramm-Leach-Bliley Act (GLBA), (2) provide state-chartered institutions with comparable powers of national institutions, and (3) maintain opt-in privacy protection for Alaskans. SCS CSHB 106(JUD) is now in the Senate Finance Committee. Also worked with a legislator to help draft for introduction as HB 157 a rewrite of the Trust Company Act that has not been revised since statehood. CSHB 157(JUD) am passed the House and is now in the Senate.

Securities: Received 70 securities and 10 ANCSA corporation proxy complaints; issued 12 enforcement orders imposing \$13,750 in fines; collected \$23,875 in fines from FY2001 and prior years' actions; and was instrumental in having \$345,106 returned directly to Alaska investors.

Corporations: Continued progress in complete in-house revision of corporations database and procedures with an ultimate objective of providing for electronic filings and implementation of a digital document environment to improve productivity and public service; added automatic check endorsing machine saving almost two hours per day in a clerk's time; eliminated data entry backlog for the first time in six years through the use of temporary employees and a reallocation of division staff.

The division's revenue in FY2001 was \$12,625.8, up 6% from FY2000 and 433% from FY1982. In FY2001, the division was authorized 26 positions compared to 25 positions in FY1982.

Statutory and Regulatory Authority

AS 06 - Supervision of Banking and other Financial Institutions
 06.01 Administration
 06.05 Alaska Banking Code
 06.10 Model Foreign Bank Loan Act
 06.10 Mutual Savings Bank Act
 06.20 Alaska Small Loans Act
 06.25 Trust Companies
 06.35 Uniform Common Trust Fund Act
 06.40 Premium Financing Act
 06.45 Alaska Credit Union Act
 AS 10-File Administration Of Corps Associations, LLC's
 AS 10.13-BIDCO's
 AS 10.35 & 45.50 -Trademarks/Trade Names
 AS 32.05-Filing of Limited Liability Partnerships
 AS 32.11-Filing of Limited Partnerships
 AS 34.55-Land Sales Act
 AS 44.81-Examination of CFAB
 AS 45.55-Supervision of Filing of Securities
 AS 45.55/3 AAC 08.305-365-Proxy Solicitations of Native Corporations
 AS 45.57-Public Disclosure Takeovers

Key Performance Measures for FY2003

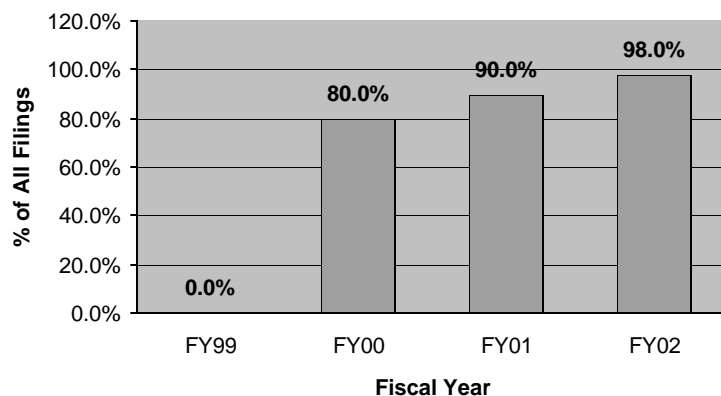
Measure:

The number of members of the public who use forms provided by the division over the Internet for filing complaints and requests for exemptions as a percentage of all filings.
 Sec 34(b)(1) Ch 90 SLA 2001(CSHB 250(FIN))

Alaska's Target & Progress:

Beginning in FY99, the division created web-based forms for complaints and exemption filings to make it easier for the public to make these filings with the division and to standardize the information the division collects. The division's target for this measure is 98.5%. It will never be 100%, since some people do not have computers. Through September 30, 2001, the FY02 achievement was 98%, up from 90% in FY01.

Percent of Complaints & Exemption Filings Using Web-based Forms (As of September 30, 2001)



Benchmark Comparisons:

Not applicable. There are no known benchmarks for this activity.

Background and Strategies:

The division developed Internet-based forms to standardize filings and make it easier for Alaskans who want to file a complaint or an application for exemption from registration.

The strategy: to provide as much information and forms via the Internet as possible in order to improve the ease and accessibility for the public, and to make their availability known through Internet advertising, public meetings, and personal contacts.

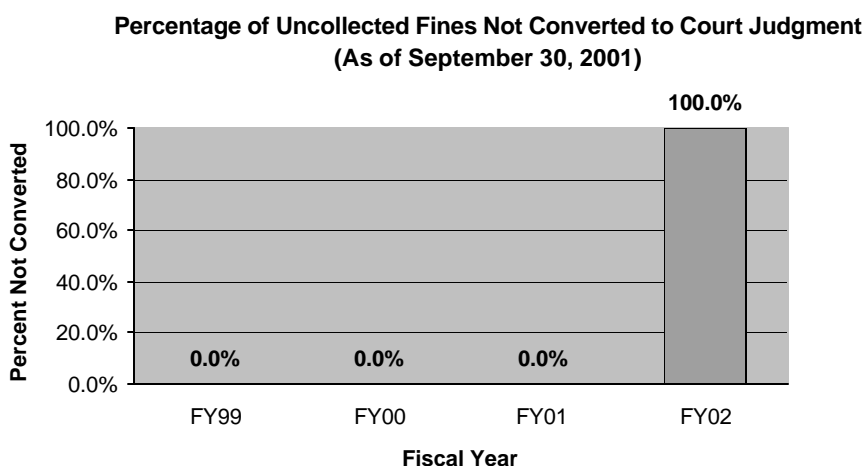
Measure:

The percentage of uncollected fines that have not been converted to court judgment.

Sec 34(b)(2) Ch 90 SLA 2001(CSHB 250 (FIN))

Alaska's Target & Progress:

Beginning in FY99 following a statutory change allowing for converting uncollected fines, the division initiated the practice of converting uncollected fines to court judgment to make it easier for the division to pursue securities violators who refuse to pay their fine, even when they reside outside of Alaska. The division's target for this measure is 0%. Through September 30, 2001, the FY02 percentage was 100%, up from 0% in FY01. However, the division expects to convert any of these FY02 fines to court judgment during this fiscal year, thus reducing the percentage back to zero.



Benchmark Comparisons:

There are no benchmarks for this activity, but the goal is either to collect or to convert to court judgment all levied fines, unless they are suspended for good cause.

Background and Strategies:

Sometimes respondents refuse to pay fines. In order to improve the division's ability to take collection actions against them through the courts of any state, the division may petition to have an administrative fine converted to a court judgment (called "reducing an administrative fine to judgment"). The U.S. Constitution provides that a court judgment from one state is given full faith and credit in all states, so the fines should then be collectible wherever the violators and their property are found. This authority was obtained through amendments to the Alaska Securities Act, effective October 1, 1999.

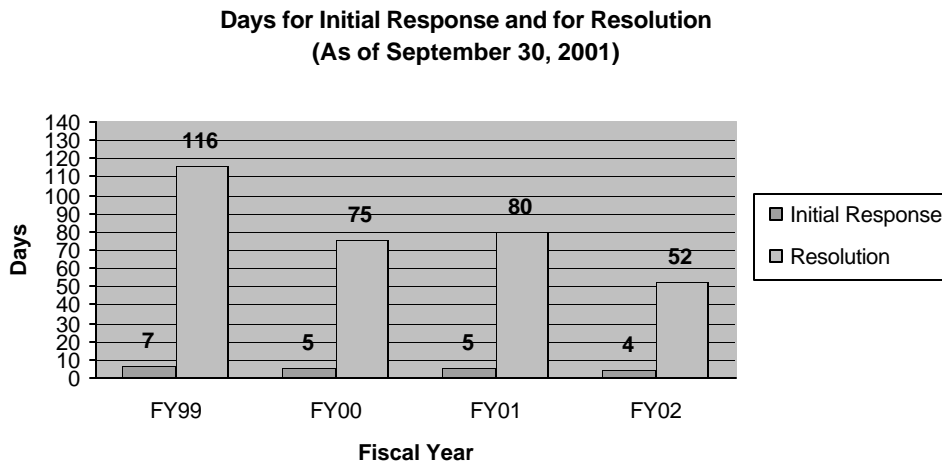
Strategy: With the change in the law, the division files the appropriate applications to Superior Court to convert uncollected fines to judgment. Once that is achieved, the division attempts to enforce the court's judgment and collect the fine. This is a relatively new process, and the first such application was filed in December 1999.

Measure:

The time taken to respond to and resolve complaints.
 Sec 34(b)(3) Ch 90 SLA 2001(CSHB 250 (FIN))

Alaska's Target & Progress:

Beginning in FY99, the division initiated an effort to reduce the amount of time it takes to respond to an initial complaint and to resolve the complaint. Timeliness is important to those who file a complaint with the division. The division's target for this measure is 2 days for the initial response, and 90 days for the resolution. The division recognizes that complex cases may take longer to resolve due to factors beyond the division's control. The division's target is for an average resolution time, with the understanding that individual cases may take longer. Through September 30, 2001, the FY02 achievement for initial response time was 4 days, down from 5 days in FY01. The FY02 achievement for resolution time was 52 days, down from 80 days in FY01.

**Benchmark Comparisons:**

Not applicable. There are no benchmarks for this measure. The time it takes to resolve complaints is affected by the complexity of the case.

Background and Strategies:

Assisting Alaskans with their investment problems by responding to their complaints, and taking actions to resolve those complaints is a critical part of the division's efforts to protect investors. Timeliness is an important aspect of that process.

Strategy: The division promptly sends a postcard to a complainant acknowledging receipt of the complaint and giving a file number for future reference. Complaints are then put into a database and the division interviews the complainant to obtain alleged facts and related documents.

Banking, Securities and Corporations

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	1,500.1	1,588.8	1,733.1
72000 Travel	56.5	76.3	80.3
73000 Contractual	222.1	212.1	355.0
74000 Supplies	14.2	19.9	21.9
75000 Equipment	16.1	6.1	9.1
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	1,809.0	1,903.2	2,199.4
Funding Sources:			
1007 Inter-Agency Receipts	0.8	1.7	3.0
1053 Investment Loss Trust Fund	39.8	0.0	0.0
1156 Receipt Supported Services	1,768.4	1,901.5	2,196.4
Funding Totals	1,809.0	1,903.2	2,199.4

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
Unrestricted Fund	68515	10,799.4	10,764.1	10,764.1	10,628.3	10,770.1
Unrestricted Total		10,799.4	10,764.1	10,764.1	10,628.3	10,770.1
Restricted Revenues						
Interagency Receipts	51015	0.8	1.7	1.7	3.0	3.0
Receipt Supported Services	51073	1,768.4	1,901.5	1,901.5	2,196.4	2,196.4
Investment Loss Trust Fund	51393	39.8	0.0	0.0	0.0	0.0
Restricted Total		1,809.0	1,903.2	1,903.2	2,199.4	2,199.4
Total Estimated Revenues		12,608.4	12,667.3	12,667.3	12,827.7	12,969.5

Banking, Securities and Corporations

Proposed Changes in Levels of Service for FY2003

One new fee-supported position is requested. The division needs an Investigator III to assist the examiners in investigating alleged violations of law and in compiling and organizing evidence to support enforcement action. Securities complaints have increased 75% in the last two years. Examiners who must set aside other responsibilities to conduct the investigation now conduct investigations, but have little or no formal training in investigation techniques. This position will give the division trained investigative staff to process cases more quickly and efficiently through to resolution. The position is to be funded with fees through receipt supported services.

The division seeks an increment to provide funds for the maintenance/upgrade agreement with the securities database vendor. The database will be purchased in FY02 with a FY02 capital appropriation, and regular vendor support is required to fix problems and provide updates to reflect changes in federal and state laws and procedures. This request is to be funded with fees through receipt supported services.

The division seeks an increment to provide funds for an RSA with the Department of Law for legal services of a half-time attorney. The division has no attorney on staff and needs the Department of Law to develop and provide expertise in banking, corporation, and securities law. Administrative orders, hearings, and other activities subject the State to legal proceedings that require the division to obtain expert legal support, similar to that of the other regulatory agencies in the department. This request is to be funded with fees through receipt supported services.

The division will participate in a department capital budget request that seeks to provide funds to convert from microfilm and microfiche to images and paper files to images. This is part of the project to improve public access to information and increase staff efficiency through technology and e-commerce. This will allow the public to access documents directly, and will shorten the response time to reply to information requests. This request is to be funded with fees through receipt supported services.

The division seeks an increment to provide funds to obtain accreditation of the division's bank examination program and certification of examination staff by the Conference of State Bank Supervisors (CSBS). Currently 44 jurisdictions in the U.S. are accredited by CSBS, and accreditation assures the State that other state and federal regulators will accept examination reports by the division's examiners. Without this assurance, industry could be subject to increase regulatory burdens. This request is to be funded with fees through receipt supported services.

An increment is requested to cover rent increases in FY03 in the Community Building in Juneau. This request is to be funded with fees through receipt supported services.

Summary of Component Budget Changes

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	0.0	1,903.2	1,903.2
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	0.0	0.0	53.9	53.9
Proposed budget increases:				
-Securities Database Maintenance	0.0	0.0	45.0	45.0
-Community Building Rent Increase	0.0	0.0	19.8	19.8
-New Investigator III	0.0	0.0	79.7	79.7
-Department of Law increased	0.0	0.0	71.5	71.5

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
services				
-Conference of State Bank Supervisors (CSBS) Accreditation	0.0	0.0	25.0	25.0
-Increase IA for Dept of Revenue	0.0	0.0	1.3	1.3
FY2003 Governor	0.0	0.0	2,199.4	2,199.4

Banking, Securities and Corporations**Personal Services Information**

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	27	28	Annual Salaries	1,296,750
Part-time	0	0	COLA	30,424
Nonpermanent	0	0	Premium Pay	8,530
			Annual Benefits	471,232
			<i>Less 4.09% Vacancy Factor</i>	(73,836)
			Lump Sum Premium Pay	0
Totals	27	28	Total Personal Services	1,733,100

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Clerk II	0	0	1	0	1
Administrative Clerk III	1	0	6	0	7
Administrative Manager II	0	0	1	0	1
Analyst/Programmer III	0	0	1	0	1
Analyst/Programmer IV	0	0	1	0	1
Business Reg Examiner	1	0	3	0	4
Division Director	0	0	1	0	1
Financial Instit Exam II	1	0	1	0	2
Financial Instit Exam III	2	0	0	0	2
Financial Instit Exam IV	0	0	1	0	1
Investigator III	0	0	1	0	1
Records & Licensing Spvr	0	0	1	0	1
Secretary	0	0	1	0	1
Securities Examiner I	0	0	3	0	3
Securities Examiner II	0	0	1	0	1
Totals	5	0	23	0	28

BRU/Component: Insurance Operations

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

Contact: Robert A. Lohr, Director

Tel: (907) 269-7900 **Fax:** (907) 269-7910 **E-mail:** Bob_Lohr@dced.state.ak.us

Component Mission

The mission of the Division of Insurance is to:

1. develop, interpret, and enforce the insurance statutes and regulations,
2. protect and educate the consumer, and
3. enhance the insurance business environment.

Component Services Provided

Consumer Service Section - Responds to consumer inquiries regarding insurance in general and explaining specific insurance policy provisions. Investigates consumer complaints, and renders impartial determinations of compliance with insurance statutes and regulations. Provides information and consumer education presentations on insurance issues through community outreach programs

Licensing Section – Issues an insurance license to an applicant only after determining that a person is competent, trustworthy, and qualified to obtain, renew, or amend a license. Assists and provides information to licensees for obtaining statutorily required licenses, issuing licenses, and maintaining licensee records while identifying statutory or regulatory needs with emphasis on public protection. Responsible for reviewing the qualifications and trustworthiness of people seeking to market insurance products in Alaska. Oversees and administers required continuing education for producers.

Make recommendations to the director concerning possible license violations.

Investigation Section - Investigates alleged or suspected violations of the insurance laws under Alaska Statutes Title 21. The types of cases investigated include claimant fraud, licensed applicant issues, workers' compensation fraud, agent fraud, insurance company fraud, insurance document fraud, operating without a license issues, premium fraud, medical care provider fraud, and bail bonds issues. The cases are presented to the Director for consideration of referral of the civil/administrative cases to the Assistant Attorney General's Office and the criminal cases to the District Attorney's Office. Criminal cases are also referred to the Office of Special Prosecutions and Appeals, the U.S. District Attorney's Office, or the Federal Bureau of Investigation.

Market Examination Section - The Division of Insurance is not only charged with regulating the "conduct" of insurance companies, producers, brokers, and adjusters; it is also charged with the responsibility to maintain a stable and affordable insurance marketplace in Alaska. It is imperative that the "markets" function in a balanced and predictable way, so that insurance companies can provide the products and services that are so critical to our society. When imbalances start to occur within insurance markets, the system starts to show signs of stress. Like the Financial Examination section that specializes in monitoring the financial vital signs of insurers, the Market Conduct Examination section monitors the many other facets of the "insurance market." in order to detect any signs of stress. It performs detailed and structured market conduct examinations that give the division a better picture of how the insurance market is functioning. It uses specific sampling techniques to maintain a fair and balanced review of the examinee. It also serves as an information resource for other sections of the Division, such as the investigation, licensing and the consumer complaint sections. It has to maintain a broader overview of the market as a whole and uses market conduct examinations as its primary tool to "take the pulse" of the insurance industry in Alaska.

Financial Examination Section - Reviews solvency of insurers doing business in this state. Admits qualified new companies wishing to do business in Alaska. Restricts companies that are a hazard to Alaska consumers due to financial standing or noncompliance with Alaska law. Maintains surplus lines white list (approved list) for the benefit of Alaska consumers. Examines domestic insurance company's financial records in order to verify that the company is complying with Alaska financial statutes and that the annual financial statement information is reasonably accurate. Performs premium trust examination of producer licensees to verify trust accounts and compliance with Alaska law.

Compiles information from all division sections for the division's Annual Report. Collects premium taxes and fees from insurance companies and other entities subject to tax or fees set out in Title 21.

Filing Review Section – Insurance contracts and premium rate filings used by insurers in providing insurance coverage for Alaskans. Prepares consumer education materials such as the Automobile and Homeowners Rating Examples booklets, the Medicare Supplement Insurance Rate Guide, and the Workers' Compensation Rating Guide.

Actuaries - Participate in the solvency review of domestic insurers, drafting insurance laws and regulations, and collecting and analyzing data to aid in developing more effective regulation of insurance in Alaska. Administer and manage the Filings Review Section.

Component Goals and Strategies

To protect and educate the consumer and enhance the insurance business environment by:

- Responding to all inquires and request for information from consumers and assisting them in resolving insurance claims and other related policy matters;
- Increasing consumer awareness and knowledge about insurance through outreach programs by developing publications, consumer education and community outreach programs;
- Investigating fraudulent insurance activities and taking appropriate administrative action or referring for criminal prosecution;
- Investigating alleged or suspected violations of the insurance laws as defined within Alaska Statutes Title 21 and taking appropriate administrative action or referring for criminal prosecution.
- Examining practices of insurance companies and persons selling insurance to assure their compliance with Alaska law;
- Monitoring insurance company financial statements, ratios and other reports to ensure their abilities to pay claims and examining Alaskan insurers to assure their solvency and compliance with Alaska laws;
- Expanding the Alaskan insurance market by authorizing qualified companies to provide insurance products;
- Reviewing insurance policy contracts offered in Alaska to assure they are not ambiguous or misleading and are in compliance with insurance laws;
- Reviewing rates charged for property and casualty coverage and certain types of health and credit coverage to assure they are not inadequate, excessive or unfairly discriminatory;
- Assuring that persons selling insurance are trustworthy and knowledgeable about the products they sell;
- Streamline the license process for both insurers and person transacting business in this state.
- Monitoring developing trends through the country to prevent adverse results to Alaskans.

Key Component Issues for FY2002 – 2003

In November 1999 President Clinton signed into law the Gramm-Leach-Bliley Act (GLBA) that repealed restrictions in the Glass-Steagall Act and the Bank Holding Company Act of 1956 on affiliations between banks, insurance companies and securities firms. This law challenges the Division to review how we perform our mission of protecting the Alaska insurance consumer. GLBA changes the landscape of regulation for the financial services industry in the United States. GLBA supports functional regulation of the various financial service sectors, and states maintain their authority to regulate insurance. However, greater cooperation and communication with federal regulators and among state insurance departments is crucial to maintaining the quality of regulation that the Division provides. A large portion of essential

Legislative initiatives for 2001 based on NAIC model laws were met:

Producer Licensing Model Act: GLBA provides that if 29 states do not adopt reciprocity in agent and broker licensing by November 2002, states will lose authority to license non-residents.

Insurance Company Investment Policy: This area will be resolved with the adoption of the Investment Regulations that are currently in the process with an expected effective date during the first quarter of 2002. Confidentiality of Documents is still an issue since our statute did not pass last session.

Privacy of Insurance Consumer Personal Information: Under GLBA states are directed to adopt and enforce privacy standards relating to defined nonpublic personal health or financial information. Specific legislative authority to adopt the NAIC model privacy regulations was passed in 2001.

Additional proposed legislation in 2002 will include the following:

Confidentiality of Documents: Authority for the director to keep certain information confidential is needed so the division can obtain documents or information from other states, federal and international regulatory agencies, law-enforcement agencies, and the NAIC. The director must be able to hold confidential information submitted by insurers and licensees determined to be legally privileged and nonpublic personal health and/or financial information provided to the division in the course of conducting business.

Alaska continues to make progress to utilize and gain optimal access to national data base regulatory information systems that focus on areas to eliminate paper and redundancies, spearheaded by the NAIC.

Continue to investigate alleged or suspected violations of the insurance laws in a more efficient and effective manner. The fraudulent claim investigations have revealed the offenders have been becoming more involved in other general crimes, arson, attempted murder, theft, worker's compensation, etc., which require more abilities than just investigating insurance law violations. As the industry continues to gain confidence in the State of Alaska, Division of Insurance abilities, they are more willing to report suspected violation of the insurance laws.

Another issue to be addressed is the Division's Investigation Section conducting worker's compensation investigations. Worker's Compensation is a division of the Department of Labor. The Division does not receive any investigative or budgetary compensation for conducting investigations into alleged or suspected violations of their laws. There has recently been a significant number of workers' compensation investigations opened. In 1997 there were four cases, 1998 there were six cases, in 1999 there were two cases, in 2000 there were twelve cases, and as of September 2001 there are twelve cases. These cases are quite complex as they involve reviewing medical records, physicians reports, court and industry depositions as well as determining the representations made by the injured worker to be compared with conflicting information.

Continue to educate the law enforcement agencies throughout the State of Alaska concerning the insurance laws to provide them with the ability to conduct suspected or alleged insurance law violations to be presented to a prosecutor.

Major Component Accomplishments in 2001

Opened and investigated 469 consumer complaints and closed 455. In addition handled over 3,960 inquiries.

Took action that resulted in additional payments of \$355,623 to consumers.

Presented insurance community outreach programs to several Alaska business and civic organizations.

Participated in a live audience Public radio program on KSKA, responding to callers with answers to insurance questions.

Opened 51 civil/criminal investigations, closed 44 with 3 investigations leading to criminal convictions.

Completed examination of insurance practices of four persons selling insurance.

Received and audited 1,200 tax filings and collected \$ 27,221,265 in premium taxes and fees.

Suspended nine Alaska certificates of authority and revoked ten certificates of authority originally held by insurance companies to operate in Alaska.

Completed financial examinations of three Alaskan companies to determine solvency and compliance with Alaska laws. In addition performed administrative work for liquidation of one Alaska insurance company.

Received 5,863 insurance contract and premium rate filings. 518 filings were disapproved by the division or withdrawn by the company because they did not comply with Alaska laws.

Updated and published premium rate guides for automobile, homeowners, and Medicare supplement insurance. Also, developed and published a new Long Term Care insurance guide.

The filings section completed training in the System for Electronic Rate and Form Filing (SERFF) system which will allow filings to be submitted and processed electronically.

Issued and renewed over 7,607 licenses to persons selling insurance in Alaska and processed over 5,700 company appointments and 3,200 termination of company appointments.

Issued one consent under 18 USC 1033, issued disciplinary regulatory orders and license denials and collected fines.

The Division anticipates receiving before the end of the calendar year its certification from the NAIC for the Uniform Regulation Through Technology (URTT) award.

Statutory and Regulatory Authority

Alaska Statute Title 21

Alaska Administrative Code 3 AAC 21 to 31

Key Performance Measures for FY2003

Measure:

The average time taken to respond to consumer complaints.

Sec 35(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

In FY01 a baseline target of 40 days was established for the average time it should take to respond to consumer complaints. The average time to respond to a complaint varies due to the complexity of the complaint. Our goal is to respond and resolve consumer complaints within 40 days.

Benchmark Comparisons:

Other states similar in size with the same volume average between 37 to 42 days to resolve complex consumer complaints.

Background and Strategies:

The Consumer Services Section received 461 formal written complaints, responded to 3,960 phone calls and 144 emails dealing with some form of consumer complaint. The performance measure given is the average time to respond to consumer complaints. Most complaints receive some type of response within five days of receipt. Our goal is to resolve 85 percent of formal written complaints within 40 days. Approximately 15 percent of the formal complaints received may extend beyond the 40-day time frame because of the complexity of the complaint and the time needed to coordinate with others sections.

Measure:

The average number of days required to process applications and issue licenses and renewals.

Sec 35(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Released December 15th
12/18/2001 3:08

FY2003 Governor
Department of Community & Economic Development

In FY99 and FY00 the average processing time for all license applications was 0-15 working days. During FY2001 the average time for issuing a renewal license was eight-working days and the average time for issuing an initial license was thirteen-working days. The number of license renewal requests grew 22 percent and new applications increased by 12 percent compared to FY00. This significant growth in volume has necessarily impacted processing time.

In FY03 the average processing time for new applications may increase up to two additional days due to implementation of the new federal and state legislation that requires a major overhaul of our licensing process designed to make Alaska's licensing process uniform and consistent with other states as required under state law (HB 184) and federal law. This change will achieve greater efficiencies and provide an easier method for an agent to become licensed in all states.

Benchmark Comparisons:

The average time for processing complete license applications and renewals in states of similar size and staffing is ten days.

Background and Strategies:

Currently approximately 75 percent of all license applications received by the division are incomplete. This requires the division to request additional required information from the applicant. Not only does this increase the average number of days required to process applications; the applicant's length of time to respond is outside the division's control. To remedy this problem the division is moving to an electronic application process. This change will substantially reduce if not eliminate the ability to submit an incomplete application. The electronic application will not allow an applicant to submit an application unless all required information is completed.

The processing time for issuing initial and renewal licenses during FY03 is estimated to increase to ten-working days. The processing time will increase due to the requirements of federal legislation (GLBA) and state legislation (HB 184). This legislation is designed to streamline the application process and will make it easier for agents to become licensed in all 50 states. However, during the transition the division must design and implement a new electronic application process.

Measure:

The number and percentage of insurance-related civil and criminal investigations completed.
Sec 35(b)(3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

In FY01 the division closed 24 cases. Six cases were closed because no violations were found. Eleven cases were referred to the District Attorney for criminal prosecution and ten cases were referred to the Attorney General for civil or administrative action. Some cases are referred to both the Attorney General and District Attorney for dual actions.

Of those cases referred to the District Attorney, six resulted in convictions. Many of the cases referred for possible civil disciplinary action are pending action.

A target for FY03 is to close at least 62 percent of the cases opened during the fiscal year and to present appropriate cases to the District Attorney's office.

Benchmark Comparisons:

This division looked at other states similar in size and staffing with the same volume of work and found that the number of investigations completed is similar. For example, Wyoming opened 80 cases and closed 49, with 4 cases referred for possible regulatory action.

Background and Strategies:

Insurance fraud is widespread through all 50 states. It includes private citizens filing fraudulent claims to insurance companies and insurance agents or companies violating a statute or regulation included in the State of Alaska insurance laws. Fraud can be reduced through providing more educational materials and publicizing successful convictions and disciplinary action.

Insurance Operations

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	2,825.5	3,103.6	3,435.8
72000 Travel	128.2	187.5	187.5
73000 Contractual	885.2	1,234.0	1,074.0
74000 Supplies	49.0	59.2	59.2
75000 Equipment	48.8	35.3	35.3
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	3,936.7	4,619.6	4,791.8
Funding Sources:			
1053 Investment Loss Trust Fund	77.4	0.0	0.0
1156 Receipt Supported Services	3,859.3	4,619.6	4,791.8
Funding Totals	3,936.7	4,619.6	4,791.8

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
General Fund Program Receipts	51060	86.5	0.0	0.0	0.0	0.0
Receipt Supported Services	51073	4,121.6	4,121.6	4,121.6	4,121.6	4,121.6
Unrestricted Fund	68515	27,221.2	27,963.1	27,963.1	27,963.1	27,963.1
Unrestricted Total		31,429.3	32,084.7	32,084.7	32,084.7	32,084.7
Restricted Revenues						
Receipt Supported Services	51073	3,859.3	4,619.6	4,619.6	4,791.8	4,791.8
Investment Loss Trust Fund	51393	77.4	0.0	0.0	0.0	0.0
Restricted Total		3,936.7	4,619.6	4,619.6	4,791.8	4,791.8
Total Estimated Revenues		35,366.0	36,704.3	36,704.3	36,876.5	36,876.5

Insurance Operations

Proposed Changes in Levels of Service for FY2003

An increment is requested to create a new Market Conduct Examiner position located in Juneau. Currently the Market Conduct Section is composed of only 3 positions, one of which is supervisory. In the past the Alaska Division of Insurance had six Market Conduct Insurance Analysts (examiners) plus a supervisor. Gradually, the section was redesigned and moved entirely to Anchorage, and through attrition and other factors, the section was reduced to one person. Adding a Market Conduct position to Juneau results in closer proximity for the conduct of specialized market conduct examinations of surplus lines brokers, the majority of whom are Seattle based. Alaska is probably the one state that depends most heavily upon the specialty surplus lines markets to provide for the insurance needs of much of our small and mid-sized commercial risks. The market conduct section of the division has been a longstanding resource for the resident and non-resident surplus lines brokerage houses alike, and has been instrumental in developing and maintaining a level regulatory playing field. This market is vital to the economic well being of our economy.

Consumer Services will establish an electronic complaint process to decrease response time for staff to handle to complaints. Make improvements to the database interface for ease of use/functionality.

Licensing Section tested and implemented an electronic process for company appointments and terminations. This process will be done by December 31, 2001. The implementation of an electronic licensing process is underway and should be completed by the end of fiscal year 2002.

Filing Section will complete development of filing checklists for most insurance products to assist insurers in submitting filings that comply with Alaska law. This will decrease the amount of time required to review certain filings and will promote consistency in the review process.

Filings Section will develop the necessary electronic submission requirements so that insurers may begin filing and the division may begin receiving and reviewing filings through SERFF.

Obtain investigative or budgetary assistance from the Department of Labor, Division of Worker's Compensation.

The division will participate in a department capital budget request that seeks to provide funds to convert from microfilm and microfiche to images and paper files to images. This is part of the project to improve public access to information and increase staff efficiency through technology and e-commerce. This will allow the public to access documents directly, and will shorten the response time to reply to information requests. This request is to be funded with fees through receipt supported services.

Summary of Component Budget Changes

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	0.0	4,619.6	4,619.6
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	0.0	0.0	112.3	112.3
Proposed budget increases:				
-New Market Conduct Examiner	0.0	0.0	59.9	59.9

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2003 Governor	0.0	0.0	4,791.8	4,791.8

Insurance Operations

Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	55	57	Annual Salaries	2,648,622
Part-time	0	0	COLA	65,330
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	957,165
			<i>Less 6.41% Vacancy Factor</i>	(235,317)
			Lump Sum Premium Pay	0
Totals	55	57	Total Personal Services	3,435,800

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Clerk II	0	0	1	0	1
Actuary	0	0	1	0	1
Administrative Clerk II	2	0	3	0	5
Administrative Clerk III	1	0	3	0	4
Administrative Manager III	0	0	1	0	1
Analyst/Programmer III	1	0	0	0	1
Analyst/Programmer IV	0	0	2	0	2
Analyst/Programmer V	0	0	1	0	1
Assistant Actuary	0	0	1	0	1
Business Reg Examiner	0	0	6	0	6
Consmr Complt Spec/Ins	2	0	0	0	2
Dep Dir Insurance	0	0	1	0	1
Division Director	1	0	0	0	1
Ins Financial Exam I	2	0	1	0	3
Ins Financial Exam II	3	0	0	0	3
Ins Financial Exam III	1	0	0	0	1
Insurance Analyst I	0	0	1	0	1
Insurance Analyst II	3	0	3	0	6
Insurance Analyst III	1	0	4	0	5
Insurance Analyst IV	1	0	1	0	2
Investigator II	2	0	0	0	2
Investigator III	1	0	0	0	1
Investigator IV	1	0	0	0	1
Paralegal Asst II	1	0	0	0	1
Prog Coordinator	0	0	1	0	1
Records & Licensing Spvr	0	0	1	0	1
Revenue Auditor III	0	0	1	0	1
Secretary	1	0	0	0	1
Totals	24	0	33	0	57

BRU/Component: Occupational Licensing

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

Contact: Catherine Reardon, Director

Tel: (907) 465-2538 **Fax:** (907) 465-2974 **E-mail:** Catherine_Reardon@dced.state.ak.us

Component Mission

To ensure that competent professional and commercial services are available to Alaska consumers.

Component Services Provided

OCCUPATIONAL LICENSING: Administer the following 36 occupational licensing programs:

Licensing Boards assisted by the Division:

- Architects, Engineers and Land Surveyors
- Athletic Commission
- Barbers and Hairdressers
- Chiropractic Examiners
- Direct-Entry Midwives
- Dispensing Opticians
- Dental Examiners
- Marine Pilots
- Marital and Family Therapy
- Medical
- Nursing
- Optometry
- Pharmacy
- Physical and Occupational Therapy
- Professional Counselors
- Psychologist and Psychological Associate Examiners
- Public Accountancy
- Real Estate Appraisers
- Real Estate Commission
- Social Workers
- Veterinary Examiners

Licensing Programs administered directly by the Division:

- Acupuncture
- Audiologists and Speech-Language Pathologists
- Big Game Guides and Transporters
- Collection Agencies
- Concert Promoters
- Construction Contractors
- Dietitians
- Electrical and Mechanical Administrators
- Geologists
- Hearing Aid Dealers
- Morticians
- Naturopaths
- Nursing Home Administrators
- Nutritionists
- Underground Storage Tank Workers

Perform the following functions for over 130 occupations within the 36 programs listed above:

- Distribute application forms for initial licensure and renewal by mail and Internet
- Respond to questions from applicants, other states and non-governmental organizations regarding Alaska's licensing laws

- Review applications to determine if qualifications have been met
- Determine whether applicants are in arrears on child support or student loan repayment
- Verify Alaska licenses for the licensing agencies of other states
- Write and/or administer professional examinations
- Investigate complaints of incompetent or illegal activity by professionals
- Prepare formal accusations against licensees when investigations reveal evidence of violations of licensing laws
- Present the legal case against licensees charged with violations
- Negotiate settlements with licensees whom the division believes violated the law
- Report disciplinary actions taken against Alaska licensees to national databanks
- Organize licensing board meetings
- Assist licensing boards in writing regulations
- Represent the state in appeals of license denials, lawsuits and appeals of disciplinary actions
- Provide public lists of licensees on CD-ROM, paper, and through Internet search of the computer databases

BUSINESS LICENSING: License approximately 74,000 businesses to engage in commerce in Alaska. At the start of FY2001, 1,711 businesses held tobacco endorsements attached to their licenses permitting retail sale of tobacco products.

To administer the Business Licensing Program, the division:

- Distributes application forms for initial licensure and renewal by mail and Internet
- Reviews applications for completeness and legal sufficiency
- Collects \$50 for each two-year license and \$25 for each endorsement permitting retail sale of tobacco products
- Classifies businesses according to their primary activities
- Issues licenses at service counters in Juneau, Fairbanks and Anchorage
- Issues and renews licenses via the Internet
- Researches the licensing history of Alaska businesses
- Works to bring unlicensed businesses into voluntary compliance with the law
- Suspends tobacco sales endorsements of businesses convicted of selling tobacco to minors

Provides public lists of licensed businesses on CD-ROM, paper and through Internet search of the computer database

Component Goals and Strategies

1. Allow qualified individuals to work in their chosen fields: earning a living, creating new businesses and providing the skilled workforce necessary for state development
 - Make licensing information easy to obtain and understand
 - Issue licenses correctly and promptly
 - Remove unnecessary barriers to licensure
 - Keep license fees as low as possible while meeting the division's legal responsibilities
2. Protect public health and welfare by safeguarding the quality of services provided by Alaska's licensed professionals
 - Investigate allegations of violations of licensing laws thoroughly and promptly
 - Sanction licensees who violate the law in an appropriate manner
 - Provide licensing boards with resources necessary to regulate effectively

Key Component Issues for FY2002 – 2003

PUBLIC RECORD REQUESTS:

An Attorney General's opinion stating that division files related to investigations of occupational license holders may be public documents has resulted in lengthy reviews of voluminous investigative files. Witnesses' rights to privacy and public rights to government records must be weighed for each document in a file. The division expects the number of public record requests to increase as employers and parties to lawsuits become aware that investigative information is available. The division is having difficulty responding to the public record workload and other division activities are adversely affected.

ENFORCEMENT OF NEW TOBACCO SALES LAW

The division issues business license endorsements to businesses that sell retail tobacco products and the division suspends the endorsements of businesses convicted of sale to minors. In 2001, the law was amended to require businesses to purchase separate tobacco endorsements for each location where tobacco is sold. The division is helping

businesses comply with the law and informing them of the penalties for improper tobacco sale. The Department of Health and Social Services is dedicating substantial resources to enforcement of tobacco sales laws. This effort will result in significantly more convictions. The division will respond by assigning investigators to prepare cases for suspension hearings and negotiate settlement agreements. We also anticipate an increased caseload for the hearing officer.

VOLATILITY OF FEES:

AS08.01.065(c) mandates that the department set license fees for each occupation at a level, which approximately equals the cost of regulating the occupation. The enforcement costs mentioned above make fees very volatile. A 1997 legislative audit directed the division to set fees incorporating professions' surpluses and deficits from prior years. The audit also recommended strictly applying the fee law and requiring each of the division's 130 professions to pay their own costs rather than accounting at the board/program level. The result of a strict legal interpretation would be even greater variation in fees for small professions. Due to Alaska's small population, many professions have fewer than 200 members to share costs.

Major Component Accomplishments in 2001

BUSINESS LICENSING:

- Modified business licensing database and Internet program to provide for foreign mailing address, allowing foreign applicants to purchase a license via the Internet.
- Revised business license application forms to meet new statutory requirements for issuance of tobacco endorsement to each location and outlet.
- Participated in multi-departmental Tobacco Workforce efforts to coordinate and share licensing information to assist tobacco enforcement efforts.
- Issued or renewed 5,000 business licenses through the Internet.

OCCUPATIONAL LICENSING:

- Added information about disciplinary actions against specific licensees to division web pages.
- Prepared a computer program for online renewal of architect, engineer and land surveyor licenses.
- Added booklets of statutes and regulations for various occupations to the division web site.
- Worked with the homebuilding industry to revise the residential contractor continuing education regulations to increase course subjects and sponsors.
- Wrote regulations governing licensure of practitioners of Tattooing and Permanent Cosmetic Coloring, and Body Piercing, and wrote a licensing examination.
- Switched from paper and pencil to national computerized examinations for psychology, marriage and family therapy and veterinary licensure.
- Adopted regulations establishing a list of criminal convictions that bar nurses and nurse aides from licensure.
- Updated regulations establishing standards for quality review of public accountants' financial audits.
- Rated best in the nation by Public Citizen for medical enforcement.
- Began accepting credit card payments through the mail and in-person for certain license transactions.

Statutory and Regulatory Authority

The Division of Occupational Licensing operates under the following authorities:

AS 08.01	CENTRALIZED LICENSING
AS 08.02	Miscellaneous Provisions
AS 08.03	Termination, Continuation and Reestablishment of Regulatory Boards
AS 08.04	Board of Public Accountancy
AS 08.13	Board of Barbers and Hairdressers
AS 08.20	Board of Chiropractic Examiners
AS 08.29	Board of Professional Counselors
AS 08.36	Board of Dental Examiners
AS 08.48	State Board of Registration for Architects, Engineers and Land Surveyors
AS 08.62	Board of Marine Pilots
AS 08.63	Board of Marital and Family Therapy
AS 08.64	State Medical Board
AS 08.65	Board of Certified Direct Entry Midwives

AS 08.68	Board of Nursing
AS 08.71	Board of Dispensing Opticians
AS 08.72	Board of Examiners in Optometry
AS 08.80	Board of Pharmacy
AS 08.84	State Physical Therapy and Occupational Therapy Board
AS 08.86	Board of Psychologist and Psychological Associate Examiners
AS 08.87	Board of Certified Real Estate Appraisers
AS 08.88	Real Estate Commission
AS 08.95	Board of Social Work Examiners
AS 08.98	Board of Veterinary Examiners
AS 08.06	Regulation of acupuncturists
AS 08.11	Regulation of audiologists and speech-language pathologists
AS 08.24	Regulation of collection agencies
AS 08.92	Regulation of concert promoters
AS 08.18	Regulation of construction contractors
AS 08.38	Regulation of dietitians and nutritionists
AS 08.40	Regulation of electrical and mechanical administrators
AS 08.54	Regulation of guide-outfitters
AS 08.42	Regulation of morticians
AS 08.45	Regulation of the practice of naturopathy
AS 08.70	Regulation of nursing home administrators
AS 08.02.011	Regulation of professional geologists
AS 08.55	Regulation of hearing aid dealers
AS 43.70	Regulation of Business Licenses
AS 05.05; 05.10	Athletic Commission
AS 46.03.375	Certification of Storage Tank Workers
AS 08.02.025	Student Loan Default Program
AS 25.27.244	Child Support Enforcement Program
AS 44.62	Administrative Procedure Act
AS 44.33.020	Department of Community & Economic Development

Federal Laws:

42 CFR 431, 433 and 483	Nurse Aide Registry
42 CFR 442 and 45	Nursing Home Administrators
12 U.S.C. 3338	Real Estate Appraiser

State Regulations:

12 AAC 02 - 12 AAC 75	Administrative Regulations
12 AAC 12	Business Licensing Regulations
18 AAC 78	Underground Storage Tank Workers

Key Performance Measures for FY2003

Measure:

The time taken to respond from the filing of a licensing law complaint to the conclusion of the case.
Sec 36(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The following chart shows the number of investigations opened and closed for each licensing program for the past three years. The bottom lines state the average and median age of the closed cases.

Investigations are opened in response to citizen complaints, division inspections, questionable license applications and information received from outside sources. Cases are closed when the division determines that no formal charge will be made against the party, when disciplinary action is taken, or when a hearing determines the licensee did not violate the law.

Among cases closed in FY99, 63 had been open for more than three years. In FY00, 35 of the closed cases had been open for more than three years. In FY01, 25 of the closed cases had been open for more than three years. 66 of the division's current cases have been open longer than three years.

During FY01 and FY02, the division created computer programs to track case age as well as the status of cases once they reach the Department of Law.

The division will continue to work to reduce the length of time it takes to file a formal accusation, determine that no disciplinary action is warranted, or enter a disciplinary agreement. The division target is to complete the above steps in less than 24 months in 90% of cases and in less than 36 months in 95% of the cases.

	FY99		FY00		FY01	
PROGRAM	OPENED	CLOSED	OPENED	CLOSED	OPENED	CLOSED
ACUPUNCTURE	0	1			6	3
ARCHITECTS/ENGINEERS/LAND SRVY	23	10	34	52	22	30
ATHLETIC COMMISSION					2	2
AUDIOLOGIST					0	0
BARBER/HAIR DRESSER	23	22	23	16	25	15
BUSINESS LICENSE	1	16	33	3	0	12
CERTIFIED PUBLIC ACCOUNTANCY	3	3	21	20	6	4
CHIROPRACTORS	5	8	13	6	32	26
CLINICAL SOCIAL WORKERS	7	2	5	12	13	10
COLLECTION AGENCIES	4	5	4	3	8	6
CONCERT PROMOTERS					0	0
DENTAL	29	13	12	22	14	11
DIRECT ENTRY MIDWIVES	2	1	0	2	2	1
DISPENSING OPTICIANS	4	4	2	2	1	0
ELECTRICAL ADMINISTRATOR	5	8	2	1	0	1
GENERAL CONTRACTOR	4	4	10	7	4	3
GEOLOGISTS					0	0
GUIDE OUTFITTERS	50	32	37	56	23	3
HEARING AID DEALERS	2	1	3	1	2	2
MARINE PILOT	11	14	1	0	4	2
MARRIAGE/FAMILY THERAPISTS	3	14	1	2	5	2
MECHANICAL ADMINISTRATOR	2	3	1	0	1	0
MEDICAL	119	115	170	109	157	107
MOBILE HOME DEALERS			0	0	N/A	N/A
MORTICIAN	1	2	2	1	1	0
NATUROPATH	1	0	4	3	1	1
NURSING	57	43	96	64	106	76
NURSING HOME ADMINIS	1	1			2	1
OPTOMETRISTS	0	2	5	3	1	1
PHARMACISTS	13	9	4	10	13	9
PHYSICAL/OCCUPATIONAL THERAPISTS	10	4	6	8	2	6
PROFESSIONAL COUNSELOR	N/A	N/A	2	0	16	9
PSYCHOLOGISTS	12	11	14	13	11	11
REAL ESTATE	53	123	41	67	35	38
REAL ESTATE APPRAISERS	10	3	3	8	6	7
UNDERGROUND STORAGE TANK	0	1	1	1	0	0
VETERINARIAN	10	7	6	6	14	11
TOTALS	465	482	556	498	535	410
Closed by License Action		110		147		144
Median age of closed cases		250 days		185 days		164 days
Average age of closed cases		460 days		294 days		361 days

Benchmark Comparisons:

The points at which investigations are considered opened and closed, the types of licensing programs administered and the agency's role in investigations vary substantially among states.

The Colorado Department of Regulatory Agencies Division of Registrations completed 701 cases in FY01. The average number of days their cases were open was 169. However, complaints are reviewed by licensing boards or their designees before they are opened and cases are considered closed when they are returned to the boards that decide whether to refer the cases to their Department of Law for prosecution. Therefore, the time spent in legal preparation and hearings is not included in Colorado statistics.

The Virginia Department of Health Professions referred 499 cases to their boards during the fourth quarter of FY01. The median number of days cases were investigated prior to board referral ranged from 51 days for mortuary cases to 191 days for pharmacy cases. Once again, the time required for disciplinary proceedings is not included in the statistics.

Background and Strategies:

Many factors affect the length of time a specific case remains open including: the priority the division gives to the case based on risk to public health and safety, the overall division case load, the complexity of the investigation, the availability of Department of Law legal services, the hearing officer's schedule, court action and the action of the licensee under investigation. Quick closure of cases cannot be an isolated goal, because investigative thoroughness is also essential to protect consumers. The number of cases closed with license/disciplinary action should also be taken into account.

Measure:

Whether the division increases the number of opportunities to take occupational licensing examinations by at least 25 percent in the fiscal year ending June 30, 2003.

Sec 36(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Many professionals cannot qualify for licenses without first passing an exam. Exams must be conducted properly and securely to render accurate results.

When the division recommended this measure, the division intended it to apply only to division-controlled written exams. These include the written licensing examinations for the following professions: barbers, hairdressers, estheticians, guides, game management units, electrical administrators, mechanical administrators and residential contractors. These exams are generally offered quarterly.

The division increased the number of locations in which guide exams were offered, but did not reach the goal of offering all the above exams monthly in Fairbanks, Anchorage and Juneau. The division target for FY02 is to create a workable plan to increase the frequency with which these exams are offered in FY03.

Benchmark Comparisons:

The frequency of exams in other large-area/ small-population states is unknown. The best measure of Alaska's progress is whether exam opportunities meet the needs of Alaskans.

Background and Strategies:

The division recommends revising this measure to state, "Whether the division provides adequate opportunities for Alaskans to take occupational licensing examinations." This wording would better reflect the style and purpose of the division's other measures.

The division initially intended to designate a clerk in Anchorage and Fairbanks who would administer exams one day each week and supervise additional private proctors. This would have resulted in the Fairbanks office being closed to the general public on Fridays. The division has had difficulty carrying out this plan due to staff vacancies and an underestimation of the staff time required.

Measure:

The percentage of complaints per license classification.
 Sec 36(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The following chart shows the number of license holders and the number of new investigations opened for each licensing program for the past three years.

The majority of cases are opened in response to citizen complaints against license holders or individuals practicing without a required license. A case is not opened if a complaint is received regarding a matter over which the division and its associated boards clearly do not have jurisdiction, for example a billing dispute. The division also opens cases on its own initiative when inspections reveal violations of law, when license applications contain questionable information or when information reaches the division through a means other than a citizen complaint.

The division target is to track complaint and investigation trends and report them to licensing boards so they can determine whether changes in regulation of professions are warranted. During FY02, the division will develop systems to track and report the sources and types of complaints.

Board/Commission/Occupation:	FY 1999		FY 2000		FY 2001	
	Licenses	# of Cases	Licenses	# of Cases	Licenses	# of Cases
Acupuncture	36	0	44	0	50	6
AELS	5,275	23	4,994	34	5,395	22
Athletic Commission	128	0	134	0	160	2
Audiology	42	0	46	0	39	0
Barbers & Hairdressers	3,738	23	3,197	23	3,619	25
Chiropractors	184	5	196	13	186	32
Clinical Social Workers	255	7	197	5	292	13
Collection Agencies	295	4	259	4	386	8
Concert Promoters	11	0	16	0	7	0
Construction Contractors	6,069	4	6,109	10	6,272	4
Dental	889	29	954	12	1,080	14
Dietitians	0	0	80	0	104	0
Direct Entry Midwives	17	2	22	0	21	2
Dispensing Opticians	110	4	103	2	75	1
Electrical Administrator	718	5	668	2	708	0
Guide-Outfitters	1,898	50	1,870	37	2,262	23
Hearing Aid Dealers	22	2	25	3	18	2
Marine Pilots	81	11	85	1	80	4
Mechanical Administrator	547	2	484	1	521	1
Marital & Family Therapy	119	3	124	1	100	5
Medical	2,252	119	2,535	170	2,333	157
Mortuary Science	125	1	133	2	104	1
Naturopaths	21	1	20	4	23	1
Nursing/Nurse Aide	10,367	57	10,249	96	9,816	106
Nursing Home Administrators	58	1	68	0	55	2
Nutritionists	0	0	1	0	2	0
Optometry	104	0	112	5	107	1
Pharmacy	1,164	13	1,072	4	1,440	13
Physical/Occupational Therapy	599	10	535	6	660	2
Professional Counselors	0	0	119	2	327	16
Psychology	214	12	192	14	170	11
Public Accountancy	919	3	854	21	951	6
Real Estate	2,072	53	1,852	41	1,955	35
Real Estate Appraisers	161	10	155	3	126	6
Speech Pathologist	0	0	0	0	86	0

Storage Tank Workers	244	0	169	1	179	0
Veterinary	300	10	323	6	318	14
Sub-Total:	39,034	464	37,996	523	40,027	535
Business Licensing	76,936	1	73,540	33	73,617	0
Geologists	500	0	517	0	525	0
TOTAL:	116,470	465	112,053	556	114,169	535

Courtesy and temporary licenses not included.

Benchmark Comparisons:

This measure was created in the FY02 budget bill. During FY02, the division will gather information from other states for benchmark comparisons.

Background and Strategies:

An increase in the percentage of investigations per license holder in a particular profession does not necessarily indicate a decline in professional performance or customer satisfaction. Publicity and division resources to pursue cases both encourage citizens to report incidents. Also, case loads increase when division investigators can be proactive by conducting inspections and engaging in community outreach. Finally, allegations of practice by individuals who do not have required licenses are included in case statistics.

Occupational Licensing

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	3,546.0	3,810.8	4,321.7
72000 Travel	275.5	308.4	308.4
73000 Contractual	1,969.2	2,722.9	2,800.6
74000 Supplies	113.4	79.7	79.7
75000 Equipment	157.5	79.6	75.6
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	6,061.6	7,001.4	7,586.0
Funding Sources:			
1005 General Fund/Program Receipts	527.4	545.0	556.9
1007 Inter-Agency Receipts	137.5	280.1	283.6
1040 Real Estate Surety Fund	85.3	273.8	253.0
1053 Investment Loss Trust Fund	75.9	0.0	0.0
1108 Statutory Designated Program Receipts	7.8	0.0	0.0
1156 Receipt Supported Services	5,227.7	5,902.5	6,492.5
Funding Totals	6,061.6	7,001.4	7,586.0

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
Unrestricted Fund	68515	3,627.5	3,625.0	3,625.0	3,625.0	4,625.0
Unrestricted Total		3,627.5	3,625.0	3,625.0	3,625.0	4,625.0
Restricted Revenues						
Interagency Receipts	51015	137.5	280.1	280.1	283.6	280.2
General Fund Program Receipts	51060	527.4	545.0	545.0	556.9	556.9
Statutory Designated Program Receipts	51063	7.8	0.0	0.0	0.0	0.0
Receipt Supported Services	51073	5,227.7	5,902.5	5,902.5	6,492.5	6,462.2
Real Estate Surety Fund	51360	85.3	273.8	273.8	253.0	253.0
Investment Loss Trust Fund	51393	75.9	0.0	0.0	0.0	0.0
Restricted Total		6,061.6	7,001.4	7,001.4	7,586.0	7,552.3
Total Estimated Revenues		9,689.1	10,626.4	10,626.4	11,211.0	12,177.3

Occupational Licensing

Proposed Changes in Levels of Service for FY2003

Strengthening Investigative Unit. The primary goal of the division in FY03 will be to restructure and support the Investigative Unit. The Investigative Unit has grown from six investigators to fourteen as the number of licensing programs, the number of license holders and the complexity of cases have expanded. The growth of the Investigative Unit and its responsibilities means that the Chief Investigator can no longer directly supervise all investigators and give each case the necessary oversight. Supervision is important because of the impact of investigative decisions on the life of the accused and the safety of the public. The legislature recognized the importance of the Investigative Unit when it created a budget measure focused on investigative efficiency. The division would like to establish a senior investigator position to oversee the work of a section of the unit. The division also requests a technician position to assist all the investigators in tracking and organizing their caseload. Funding would be from receipt supported services.

Revision of Licensing Staff Classification for Pay Equity. The class specifications and compensation for Occupational Licensing Examiners have not been significantly adjusted or reviewed in over twenty-five years. The work descriptions in the specifications harken back to the era of typewriters and depict the work in clerical terms that may reflect gender bias. Today, Occupational Licensing Examiners generally serve as the primary staff person for one or more statewide licensing programs and the sole support for licensing boards. The Department of Administration expects to complete a classification study of the Occupational Licensing series in November. Funding would be from receipt supported services.

Support of Board of Nursing. The Board of Nursing licenses over 10,000 nurses, advanced nurse practitioners and certified nurse aides, representing over 25% of the division's licensees. Board responsibilities have become increasingly complex and challenging due to the mobility of the workforce, changes in healthcare delivery, public protection expectations and expansion of the nurse aides certification program. The Board cannot meet the needs of the healthcare industry and fulfill its public safety responsibilities without reorganization and expansion of its staff. The Board has requested the following increments:

- Establish and fund an Investigator III to create a second nurse investigator. 106 new Board of Nursing investigations opened during FY01.
- Establish and fund a Nurse III to assist the executive administrator of the Board of Nursing at a professional level and provide focus on nurses impaired by substance abuse.
- Establish and fund a Licensing Examiner (range 14B) to certify the increasing number of nurse aides and to handle the additional work when temporary nurse aide certification is created to provide time for criminal justice fingerprint checks.
- Provide funding for Criminal justice reports on nurse and nurse aide applicants based on fingerprint checks by DPS and the FBI. The Department of Public Safety charges \$59 for each state/federal fingerprint check. The Board of Nursing believes that criminal background checks are necessary to protect the public and will, therefore, adopted regulations requiring fingerprint checks during its September 19 meeting.

Funding would be from receipt supported services.

Establish a Nurse III position to directly administer the Colleagues in Caring program. The program is currently administered by the University of Alaska through an RSA from the division. In FY01, the division received 140.0 in expenditure authority to support Colleagues in Caring, which is a consortium of nursing employers, educators and regulators dedicated to ensure an adequate supply of properly-trained nursing professionals. The Board believes it can deliver the best program by bringing Colleagues in Caring directly under the Board, following the model of other states. 78.9 will remain in contractual services to support Board Colleagues in Caring activities.

Increase Existing Part-time Real Estate Licensing Examiner to Full time. The real estate industry has been consolidating, resulting in an increased number of transfers between offices, broker changes and other actions requiring license processing. The nature of the business and the amounts of money involved in transactions mean that rapid response by the division is demanded. The Real Estate Commission decided at its September 14 to reallocate a portion of the Real Estate Surety Fund expenditure authority to its licensing function to make the licensing examiner a full-time position.

Public Accountancy Exam Price Increase. The organization that writes the national Certified Public Accountancy Examination has announced that the price the division is charged for each copy of the exam will double in FY03. The division spent \$30.3 purchasing CPA exams in FY01 and anticipates spending \$60.6 in FY03. Applicants for licenses pay the division for the exams, but the division expenditure authority needs to be increased to cover this expense.

Rent Increase . An increment is requested to cover rent increases in FY03 in the State Office Building in Juneau. This request is to be funded with fees through receipt supported services.

Summary of Component Budget Changes
From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	545.0	0.0	6,456.4	7,001.4
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	11.9	0.0	122.4	134.3
Proposed budget decreases:				
-Reduce one time costs for Tobacco Sales CH88 SLA2001(HB228)	0.0	0.0	-4.0	-4.0
Proposed budget increases:				
-State Office Building Rent Increase	0.0	0.0	23.1	23.1
-Strengthening Investigative Unit	0.0	0.0	114.8	114.8
-Board of Nursing Support	0.0	0.0	286.1	286.1
-Public Accountancy Exam Price Increase	0.0	0.0	30.3	30.3
FY2003 Governor	556.9	0.0	7,029.1	7,586.0

Occupational Licensing

Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	72	79	Annual Salaries	3,282,665
Part-time	1	0	COLA	78,103
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	1,248,679
			Less 6.24% Vacancy Factor	(287,747)
			Lump Sum Premium Pay	0
Totals	73	79	Total Personal Services	4,321,700

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Clerk I	0	0	1	0	1
Accounting Tech II	0	0	1	0	1
Administrative Assistant	1	0	0	0	1
Administrative Clerk I	0	0	2	0	2
Administrative Clerk II	5	0	2	0	7
Administrative Clerk III	2	1	6	0	9
Administrative Coordinator	0	0	1	0	1
Administrative Manager II	0	0	1	0	1
Analyst/Programmer III	0	0	1	0	1
Analyst/Programmer IV	0	0	1	0	1
Criminal Justice Technician II	0	0	1	0	1
Division Director	0	0	1	0	1
Exec Sec Bd of Nursing	1	0	0	0	1
Exec Sec State Med Bd	1	0	0	0	1
Exec Secretary Rec	1	0	0	0	1
Health Program Associate	1	0	0	0	1
Hearing Examiner	1	0	0	0	1
Investigator III	14	0	2	0	16
Investigator IV	1	0	0	0	1
Law Office Assistant I	1	0	0	0	1
Licensing Examiner	0	0	1	0	1
Marine Pilot Coord	0	0	1	0	1
Nurse III	0	0	2	0	2
Occ Lic Exam I	1	0	17	0	18
Paralegal Asst II	0	0	1	0	1
Prog Coordinator	0	0	1	0	1
Publications Spec II	1	0	0	0	1
Records & Licensing Spvr	0	0	2	0	2
Regulations Spec II	0	0	1	0	1
Secretary	0	0	1	0	1
Totals	31	1	47	0	79

BRU/Component: Regulatory Commission of Alaska

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

Contact: G. Nanette Thompson, Chair

Tel: (907) 276-6222 **Fax:** (907) 276-0160 **E-mail:** nanette_thompson@rca.state.ak.us

Component Mission

The mission of the Regulatory Commission of Alaska (RCA) is to regulate public utilities and pipelines in Alaska.

Component Services Provided

The RCA regulates public utilities and pipeline carriers. The Commission has been assigned regulatory responsibility for gas, electric, telephone, oil and gas pipelines, water and sewer, steam, refuse collection and disposal and cable television.

The Commission issues certificates of public convenience and necessity to qualified service providers. The Commission establishes the rates, terms, and conditions under which economically regulated utilities and pipeline carriers serve the public. The Commission supervises markets that are transitioning to economic deregulation to protect consumer interests. Under the Power Cost Equalization program, the Commission computes the power cost and amount of assistance for eligible utilities.

Component Goals and Strategies

1. Analyze and act upon all utility and pipeline carrier proposals within statutory deadlines.
2. Continue to receive, analyze, and process cases pursuant to the timeliness regulations implemented in December 1999, under AS 42.04.080(b).
3. Issue public notices, provide initial analysis, and render initial Commission determination concerning utility and pipeline tariff filings within 45 days. (Anticipated total cases July 1, 2002 to June 30, 2003: 600 tariff filings.)
4. Within 30 days, issue public notices, provide initial analysis, and render initial Commission determination concerning competitive offerings. (Anticipated total cases July 1, 2002 to June 30, 2003: 200 tariff filings.)
5. Issue 650 substantive orders in disputed cases pending before the Commission.
6. Formulate, issue public notice, evaluate comments received, and revise proposed regulations as needed.
7. Receive, analyze, and process 630 anticipated consumer complaints concerning utility service.
8. Participate in national-level organizations regarding policy issues that significantly impact Alaska.
9. Continue to refine our management information system to make agency processes more efficient and accessible to the general public through the Internet (Section 26, HCS CSSB 133(FIN)).
10. Provide analytical support to legislative committees considering utility and pipeline issues.
11. Process Power Cost Equalization filings. (Anticipated filings July 1, 2002 to June 30, 2003, 200 nonregulated and 150 regulated.)

Key Component Issues for FY2002 – 2003

1. Electricity

RCA will address current issues facing the Alaskan electric industry.

Rural Alaska: RCA will focus on the high cost of power and difficult operating environment for small rural power companies, and seek, through cooperation with other agencies, to lessen regulatory burdens and provide incentives for improvement of reliability and affordability in Alaska's rural communities power supplies. RCA will seek to improve cooperation between rural power and rural communications systems, to optimize delivery of utility services to the rural rate payer. RCA will continue its program to timely and efficiently process Power Cost Equalization (PCE) filings that rural utilities file with us for financial review. RCA will continue to develop a database of utility operational histories. RCA will consider potential regulatory incentives that could promote cost control and reliability improvement, while maintaining the equalization benefits of the Power Cost Equalization program.

Urban Alaska: RCA will work to complete rate hearings for major power utilities. RCA will also respond to electric market structure issues that arise, and provide input as requested by the legislature on matters of electric infrastructure development. RCA will continue to look at methods to provide incentives for coordination among utilities. RCA will also promote practices that will assure utilities are providing reliable and low-cost services to all customers.

2. Telecommunications

RCA will monitor and regulate to ensure the availability of affordable, high quality, local and long distance telephone service throughout Alaska. RCA will continue its oversight of the competitive in-state long distance market and local markets, and will work towards developing competition throughout the state to the extent reasonable, feasible, and consistent with the public interest and the goal of universal service.

RCA will modify its existing local market structure rules and regulations as necessary and develop interconnection and network arrangements and policies as new areas of the state are opened to local competition. To further accomplish its responsibilities under the Telecommunications Act of 1996, RCA will also continue to review its rules covering access charge reform, competitive local exchange carriers, market dominance, local exchange carrier provision of long distance service, and pricing standards for interconnection between incumbent and entrant local exchange carriers.

RCA also plans to continue evaluating its existing policies for the long distance carrier market regarding facility modernization, wholesale rates, quality of service, competitive neutrality, and interconnection to long distance networks.

As competition develops in Alaska, RCA will have increased responsibility to maintain universal service. RCA will review improvements to our Alaska Universal Service support mechanism and will participate in the Federal Communication Commission CC Docket 96-45 proceedings on universal service to promote universal service in Alaska.

3. Pipeline

RCA expect to hold hearings and determine intrastate rates for several new and existing pipelines.

4. Water and Sewer

RCA expects a dramatic increase in certification applications, customer complaints, and rate proceedings as water and sewer facilities are built in communities that do not currently have services and as these new utilities work towards compliance with new Federal safe drinking water regulations.

5. Natural Gas

New exploration, the construction of new gas distribution systems and new gas transportation technologies will expand the areas where natural gas will be available. As a result, RCA expect new applications for certificates of public convenience and necessity and related rate proceedings.

6. Refuse

Mergers and acquisitions have consolidated the ownership of many of Alaska's refuse utilities. The rate case filings ordered in connection with recent acquisitions and transfers should be adjudicated by the end of FY02.

7. Public Advocacy

RCA will continue to assign the Public Advocacy Section (PAS) to participate as a party in matters before the Commission. The PAS was created in 1999 by AS 42.04.150 to operate separately from RCA and represent the public interest. The PAS will participate in utility and pipeline proceedings.

Major Component Accomplishments in 2001

Issued 741 substantive orders in FY2001, an increase of 39% over FY00.

Processed 576 utility and pipeline tariff filings, a 6% increase over FY00.

Handled 682 informal customer complaints, a 16% increase over FY00.

Handled 172 new cases including certification dockets (73) and other proceedings (99), a 16% decrease over FY00.

Moved our offices to larger and more efficient space.

Began implementing a management information system.

Processed 182 nonregulated and 125 regulated Power Cost Equalization filings.

Statutory and Regulatory Authority

AS 42.04 Regulatory Commission of Alaska

42.05 Public Utilities

42.06 Pipeline Carrier

42.45 Power Cost Equalization

3 AAC 47 Regulatory Cost Charges for Public Utilities and Pipeline Carriers

48 Practice and Procedure

49 Deregulation

50 Energy Conservation

51 Telecommunications Relay Services

52 Operation of Public Utilities

53 Telecommunications

Key Performance Measures for FY2003

Measure:

The time required to issue public notice, provide an initial analysis, and render the initial commission determination concerning (1) utility and pipeline filings; (2) competitive offerings.

Sec 37(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

During FY01 RCA complied with the timeliness standards of 3 AAC 48.200 through .440 adopted in December 1999.

Benchmark Comparisons:

Comparisons to national statistics are not meaningful because other state commissions have regulatory responsibility for different industries, and process and categorize cases differently.

Background and Strategies:

When the Legislature created the RCA, it tasked the commission with developing and adhering to timeliness standards because of public complaints about the predecessor agency's processes. RCA has adopted standards and are incorporating processes to measure its progress as part of developing and implementing our management information system.

By the end of FY2002 RCA should have actual data from its management information system to report on this measure.

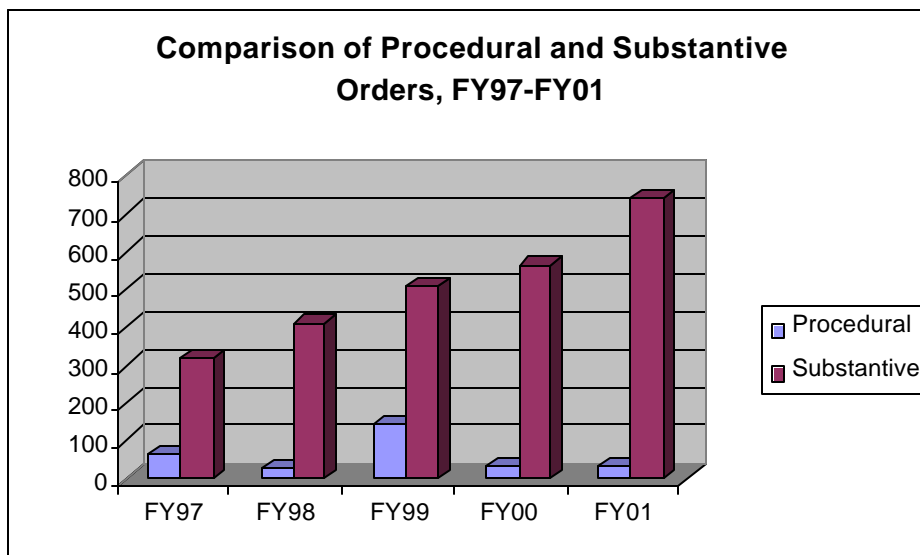
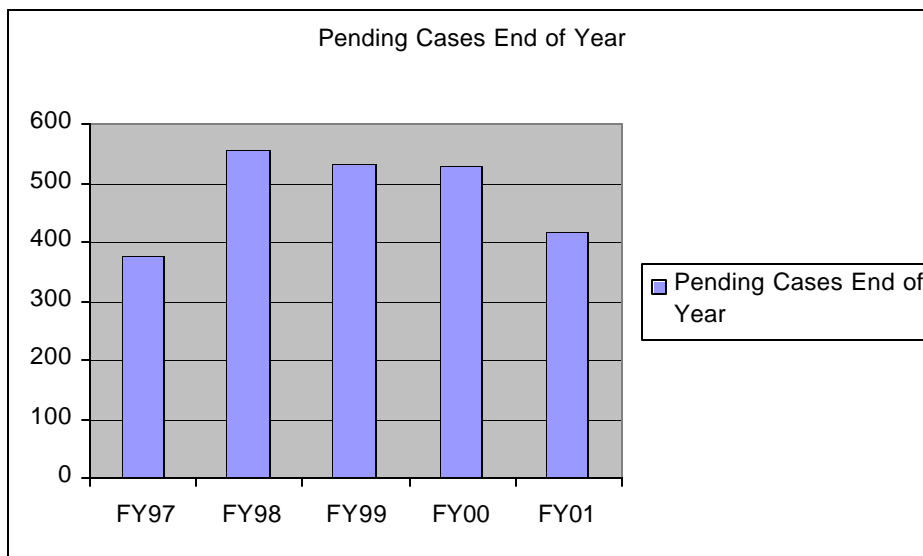
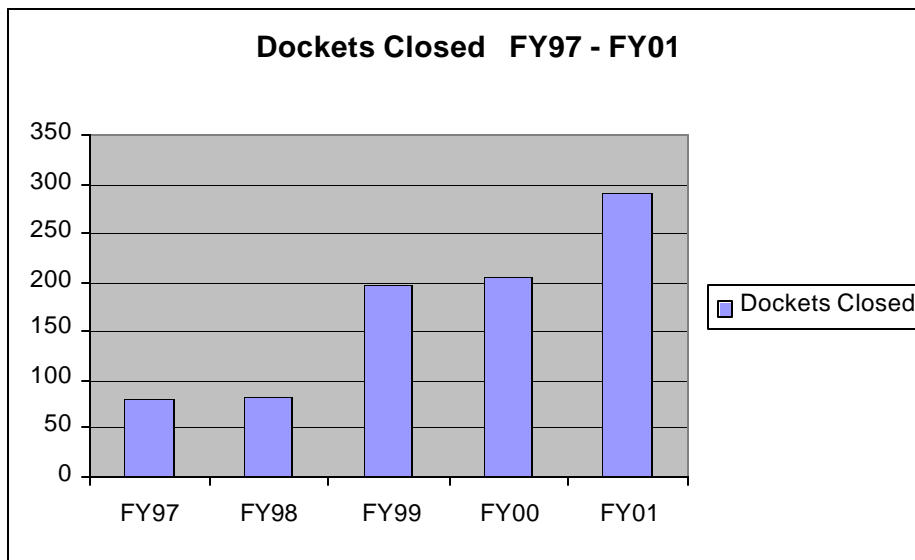
Measure:

The change in the number of unresolved filings.

Sec 37(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

During FY01, the RCA significantly reduced the number of cases pending before it, from 531 cases to 418.



Benchmark Comparisons:
Not applicable.

When the Legislature created the RCA, the commission was tasked with reducing the number of unresolved filings because of industry complaints about the predecessor agency's processes. The RCA routinely opens approximately 175 – 210 new dockets each year. Since its inception, as a result of a concerted effort to resolve all long pending cases, RCA has closed more dockets than were opened. RCA expects the docket caseload to stabilize in FY02--FY03 at approximately 350 cases.

Regulatory Commission of Alaska

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	3,402.8	3,734.5	3,951.8
72000 Travel	72.4	55.0	55.0
73000 Contractual	1,583.6	2,005.5	1,920.0
74000 Supplies	48.6	62.5	62.5
75000 Equipment	150.8	13.8	13.8
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	5,258.2	5,871.3	6,003.1
Funding Sources:			
1007 Inter-Agency Receipts	1.3	0.0	0.0
1108 Statutory Designated Program Receipts	4.7	0.0	0.0
1141 RCA Receipts	5,252.2	5,871.3	6,003.1
Funding Totals	5,258.2	5,871.3	6,003.1

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
<u>Unrestricted Revenues</u>						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
<u>Restricted Revenues</u>						
Interagency Receipts	51015	1.3	0.0	0.0	0.0	0.0
Statutory Designated Program Receipts	51063	4.7	0.0	0.0	0.0	0.0
Alaska Public Utilities Comm. Receipts	51066	5,252.2	5,871.3	5,871.3	6,003.1	6,003.1
Restricted Total		5,258.2	5,871.3	5,871.3	6,003.1	6,003.1
Total Estimated Revenues		5,258.2	5,871.3	5,871.3	6,003.1	6,003.1

Regulatory Commission of Alaska

Proposed Changes in Levels of Service for FY2003

After two years of operation, the RCA has implemented many significant changes resulting in a more productive and responsive agency. The RCA's mission and needs appears to be tracking well with the budgeted amount for FY02. Roughly the same level of activity is expected for FY03; therefore, no operating budget or capital budget changes are anticipated.

Summary of Component Budget Changes

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	0.0	5,871.3	5,871.3
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	0.0	0.0	131.8	131.8
FY2003 Governor	0.0	0.0	6,003.1	6,003.1

Regulatory Commission of Alaska

Personal Services Information

	Authorized Positions		Personal Services Costs	
	<u>FY2002</u> <u>Authorized</u>	<u>FY2003</u> <u>Governor</u>		
Full-time	61	61	Annual Salaries	3,032,361
Part-time	0	0	COLA	79,108
Nonpermanent	0	0	Premium Pay	55,473
			Annual Benefits	1,073,971
			Less 6.82% Vacancy Factor	(289,113)
			Lump Sum Premium Pay	0
Totals	61	61	Total Personal Services	3,951,800

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Tech I	1	0	0	0	1
Administrative Clerk I	2	0	0	0	2
Administrative Clerk II	7	0	0	0	7
Administrative Clerk III	2	0	0	0	2
Administrative Manager II	1	0	0	0	1
Administrative Supervisor	1	0	0	0	1
Analyst/Programmer I	1	0	0	0	1
Analyst/Programmer V	1	0	0	0	1
Chief Utility Engineer	1	0	0	0	1
Chief, RCA Advocacy	1	0	0	0	1
Commissioner, RCA	5	0	0	0	5
Communications Com Car Sp	4	0	0	0	4
Consmr Prot-Info Off I	3	0	0	0	3
Consmr Prot-Info Off II	1	0	0	0	1
Economist II	1	0	0	0	1
Hearing Examiner	2	0	0	0	2
Law Office Assistant I	2	0	0	0	2
Micro/Network Tech I	1	0	0	0	1
Micro/Network Tech II	1	0	0	0	1
Paralegal Asst II	3	0	0	0	3
Prog Coordinator	1	0	0	0	1
Project Coord	1	0	0	0	1
Secretary	1	0	0	0	1
Special Staff Assistant	1	0	0	0	1
Utility Eng Analyst II	1	0	0	0	1
Utility Eng Analyst III	2	0	0	0	2
Utility Eng Analyst IV	2	0	0	0	2
Utility Fin Analyst I	1	0	0	0	1
Utility Fin Analyst II	1	0	0	0	1
Utility Fin Analyst III	4	0	0	0	4
Utility Fin Analyst IV	1	0	0	0	1
Utility Tariff Anlyst I	1	0	0	0	1
Utility Tariff Anlyst II	2	0	0	0	2
Utility Tariff Anlyst III	1	0	0	0	1
Totals	61	0	0	0	61

BRU/Component: DCED State Facilities Rent

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

Contact: Tom Lawson, Director

Tel: (907) 465-2505 **Fax:** (907) 465-2563 **E-mail:** Tom_Lawson@dced.state.ak.us

Component Mission

To fund necessary maintenance and help prevent future deferred maintenance problems in the eight buildings in the new state facilities rent pool.

Component Services Provided

Implement the State Facilities Rent Structure.

Component Goals and Strategies

To fund necessary maintenance and help prevent future deferred maintenance problems in the eight buildings in the state facilities rent pool.

Key Component Issues for FY2002 – 2003

During years of budget constraints, state buildings have not been adequately maintained, resulting in a serious and expensive deferred maintenance backlog. The State has implemented a rent structure to recover an estimated \$1.5 million (statewide) in federal and other non-general funds for space occupied in state buildings to help cover the maintenance costs.

Major Component Accomplishments in 2001

Rent payments made in a timely manner.

Statutory and Regulatory Authority

AS 37.07.020(e)

DCED State Facilities Rent
Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	0.0
73000 Contractual	496.3	537.9	792.0
74000 Supplies	0.0	0.0	0.0
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	496.3	537.9	792.0
Funding Sources:			
1004 General Fund Receipts	496.3	359.9	571.1
1007 Inter-Agency Receipts	0.0	178.0	220.9
Funding Totals	496.3	537.9	792.0

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
<u>Unrestricted Revenues</u>						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
<u>Restricted Revenues</u>						
Interagency Receipts	51015	0.0	178.0	178.0	220.9	220.9
Restricted Total		0.0	178.0	178.0	220.9	220.9
Total Estimated Revenues		0.0	178.0	178.0	220.9	220.9

DCED State Facilities Rent**Proposed Changes in Levels of Service for FY2003**

Increments for the Divisions of Occupational Licensing and Banking, Securities, & Corporations are requested to cover rent increases in FY03. An increment for the DCED State Facilities Rent Component is requested to receive the rent payments, in the form of interagency receipts and general funds to cover rent increases for divisions funded by general funds.

The Divisions of Investments, Insurance, Banking, Securities, and Corporations, and Occupational Licensing in late FY02 are moving from leased space in the Frontier Building to the State owned Atwood Building. Lease monies from the Department of Administration will be transferred to this component to cover FY03 Atwood Building rent expenses.

When general funds were allocated to the departments to cover lease costs of the Community Building, the footage of the DCED was transposed with the footage of the Department of Education and Early Development (DEED). A transfer of funds from DEED to this component corrects the error.

Summary of Component Budget Changes**From FY2002 Authorized to FY2003 Governor***All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	359.9	0.0	178.0	537.9
Adjustments which will continue current level of service:				
-Atwood Building Expansion	167.8	0.0	0.0	167.8
-Community Building GF Correction with Dept of Education & Early Development	21.1	0.0	0.0	21.1
-FY2003 Facilities Maintenance and Operations GF Adjustments from Administration	7.7	0.0	0.0	7.7
-Jnu SOB Snack Bar GF correction from Dept of Labor	0.5	0.0	0.0	0.5
Proposed budget increases:				
-Juneau Facilities Rent Increases	14.1	0.0	42.9	57.0
FY2003 Governor	571.1	0.0	220.9	792.0